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Netanyahu creates post for Sharon in bid to avert crisis

Israeli prime minister Benjamin Netanyahu sought to defuse the first crisis of his new government by creating a ministry of infrastructure for rightwing ex-general Ariel Sharon, the champion of Jewish settlement in the Israeli-occupied West Bank. Foreign minister David Levy threatened to quit the government unless Mr Sharon was given a cabinet post. Page 20

De Benedetti eases grip on Olivetti: Carlo De Benedetti relinquished his day-to-day executive role as part of boardroom changes at troubled Italian computer group Olivetti. Page 21

Air France showdown looms: Unions and management at state-controlled carrier Air France looked set for a showdown after union rejection of plans for a total merger with domestic partner Air France Europe. Page 21

Bombers' hideout found: German investigators have found a rural holiday house where they suspect Irish Republican Army terrorists prepared a bomb attack on a British army base in Germany last Friday. Three men and two women had stayed at the house.

Athens hit by heatwave: Cars were banned from the centre of the Greek capital and people were urged to stay at home to escape the effects of a heatwave that has pushed temperatures close to 40 Celsius in windless conditions.

Rome magistrate held: Prominent magistrate Antonio Pelaggi, three lawyers and an accountant were arrested in Rome as part of a corruption probe in the Italian capital. They are suspected in connection with bribes allegedly paid by a businessman to stop an investigation of his finances.

Suicide bomber kills 21: A Sri Lankan suicide bomber killed at least 21 troops and civilians and injured 60 other people – including a cabinet minister – in the northern Jaffna region. The rebel Liberation Tigers of Tamil Eelam said the woman bomber was one of its members. Page 4

German to head UK car unit: German luxury car maker BMW named German Walter Hasselkus to head Rover Group, its UK unit. BMW had been looking for a Briton to fill the post and the company stressed the appointment did not signal a strategy change. Page 21

Malaysia set for UK stake: Ailing UK-based construction company Costain unveiled a rescue refinancing package which could give Intria Berhad, a Malaysian construction and investment group, a 40 per cent stake. Page 21; Background, Page 22; Lex, Page 20

Mine sacks striking workers: South Africa's Rustenburg Platinum Mines, the world's biggest platinum producer, sacked the last of its 28,000 striking workers. Mine owner Anglo American Platinum dismissed 18,000 workers on Monday, 8,000 on Wednesday and the last 7,000 on yesterday for defying a court order which declared the strike illegal.

Paris court rejects mad cow case: A Paris court dismissed charges by Belgian meat producers that French beef labels meant to reassure consumers over the British mad cow crisis were a protectionist ploy that damaged Belgian exports.

Japanese banks agree debt deal: Japanese banking officials said the nation's leading commercial banks and the Finance Ministry had agreed details of a plan under which the banks will jointly pay out a Y806bn ($7.32bn) for the scheme to liquidate seven debt-ridden mortgage firms.

Suharto medical expected: Diplomats said Indonesia's 75-year-old president Suharto was expected to fly to Germany at the weekend for medical checks.

'Find local partner', accountants told: China has told overseas accountants they will have to wind up existing joint ventures within five years and work in future through member firms in China. Joint venture firms were a transitional arrangement, said Ding Pingzhun, head of the China Society of Registered Accountants.

Fire grips Grozny: A big fire raged through an industrial area of the Chechen capital, Grozny. It appeared to centre on a chemical plant in the middle of an oil refining district.

Japan poised for satellite first: A group of leading Japanese companies is poised to win the country's first contract in the competitive satellite launching business. A deal would boost Japan's aerospace industry ambitions. Page 20

Tennis: Top seed and defending champion Pete Sampras crashed out of Wimbledon, beaten 7-5 7-6 6-4 by unseeded Dutchman Richard Krajicek. Britain's Tim Henman lost his quarter final match 6-7 6-7 4-6 to 13th seed Todd Martin of the US.

■ STOCK MARKET INDICES		
FT-SE 100:	3,768.8	(+45.5)
Yield	4.04	
FT-SE Eurotrack 100	1,768.78	(+6.55)
FT-SE-A All-Share	1,875.47	(+0.9%)
Nikkei	22,292.91	(-86.11)
■ LONDON MONEY		
3-mo Interbank	5¾%	(5¾%)
Life long gilt future: Sep 108¾		(Sep 108¼)
■ NORTH SEA OIL (Argus)		
Brent Dated	$19.78	(19.45)

■ GOLD		
London	$381.225	(382.2)
■ STERLING		
London:		
$	1.5603	(1.559)
DM	2.377	(2.3777)
FFr	8.0364	(8.038)
SFr	1.958	(1.9566)
Y	172.213	(172.379)
£ Index	86.8	(same)
Tokyo close Y 110.15		

The New York markets were closed yesterday

Austria	Sch30	Germany	DM4.00	Lithuania	Lit 15.00	Qatar	QR13.00		
Bahrain	Din1.250	Greece	Dr500	Lux	LFr65	S.Arabia	SR12		
Belgium	BFr65	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30		
Bulgaria	[illegible]	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65		
Cyprus	CL1.20	Iceland	IKr200	Neth	Fl 4.75	S. Africa	R12.00		
Czech Rp	Kc55	India	Rs75	Nigeria	Naira60	Spain	Pta250		
Denmark	DKr18	Israel	Shk7.80	Norway	NKr20.00	Sweden	SKr20		
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70		
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00		
Finland	FM15.00	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750		
France	FFr12.00	Kuwait	Fils600	Portugal (m'land)	Esc320	Turkey	L90,000		
		Lebanon	U$3.00			UAE	Dh12.00		

UK metal broker owners claim senior Japanese officials agreed Hamanaka's copper deals

Sumitomo board approved trades

By Clay Harris and Robert Thomson in London

The owners of Winchester Commodities, the UK metal broker under scrutiny for its role in the Sumitomo copper scandal, claim key trades were approved at board level in the Japanese trading company.

In their first face-to-face interview, Mr Charlie Vincent and Mr Ashley Levett – both 36-year-old tax exiles in Monaco – shed light on their dealings with Mr Yasuo Hamanaka, Sumitomo's former chief copper trader. They said several senior officials gave trades the go-ahead and that Mr Hamanaka was not a "rogue trader".

Winchester executed many deals for Mr Hamanaka, who was dismissed by Sumitumo last month and blamed by his former employer for losses of at least $1.8bn. "I don't believe Mr Hamanaka was an island, and I don't think you do, do you?" Mr Levett asked his partner. "No, I don't," replied Mr Vincent.

The affair has heightened interest in the colourful careers of Mr Vincent, known as "Copperfingers" among metals traders, and Mr Levett, benefactor of Richmond rugby football club. Each man was paid more than £15m by Winchester last year.

Why Mr Copper chose British provincial team .... Page 6

They described Mr Hamanaka, who had entertained them at several bars in Tokyo's Ginza, as a "true corporate animal". Mr Levett described how the Sumitomo trader worked through the night in Japan, making trades in London and New York. "He was probably like Margaret Thatcher. He seemed to be able to get by without too much sleep."

In an interview with the Financial Times during a visit to Britain, Mr Vincent and Mr Levett said their lawyer had written to the UK's Serious Fraud Office, offering co-operation in its Sumitomo investigation, but had not yet received a reply.

Mr Vincent added: "We've had no approach from any regulator. All we've done is strongly deny all these allegations and offered our assistance. We're very much here. We're not lying under a paving stone in Monaco."

Both men repeatedly stressed the central role of Crédit Lyonnais Rouse, the London Metal Exchange member which cleared Winchester's trades and for which Winchester acted as "introducing broker" for many clients, including Sumitomo.

"I've never done a trade for Sumitomo or any of its employees other than through Crédit Lyonnais Rouse," Mr Vincent said. He also said Mr Roy Leighton, CLR chairman, personally handled the Sumitomo account.

Asked if Winchester had made more money for its size than other market participants, Mr Levett replied: "For its size? Our size was Crédit Lyonnais. That was the limit of our size." CLR, however, said Winchester was subject to credit limits based on usual risk assessments.

Mr Vincent said all transactions for Sumitomo had been done at standard market commissions. "Winchester's success has been in our proprietary trading."

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Non-Emu countries may face restrictions on access

By Gillian Tett and George Graham

Banks based in countries outside the future European monetary union could become "second-class citizens" in dealings in the euro.

Although all European Union countries will be allowed access to the euro payments system, countries which are expected initially to stay out of Emu, such as the UK, are increasingly likely to face discriminatory restrictions on their access.

The British insist that they have an absolute right to access after the single currency comes into effect in 1999, but Bonn and Paris take different views.

French and German bankers are concerned that their British rivals should not be able to take competitive advantage of the UK's non-membership in the monetary union while reaping all the benefits of the union. "The British would like to have the best of both worlds," said one French banker.

French and German officials are now stepping up pressure for much tighter controls to be imposed on the access to euro liquidity during trading hours by non-Emu-domiciled banks. They argue this is necessary to make the future euro system more stable and protect the competitive position of financial centres such as Frankfurt and Paris.

A broad agreement on the system was derailed at a meeting this week of European central bankers

after French and German officials argued that the proposed controls were too lax. Some officials suspect a decision will be postponed until the European Central Bank is formed in 1998, when it will be taken by Emu members only.

The battle centres around the the structure of Target, the payments system which will be used for the euro. It is agreed that all EU central banks will have access to this system and will be able to provide liquidity in euros to their local banks. The crucial issue is the terms on which banks will have access to this system in different countries.

Some officials have suggested that banks outside Emu would have full access to liquidity during the course of the trading day, but would face punitively high interest rates if they extended lending over-night.

However, countries like Germany and France argue that much stronger measures are needed to prevent banks outside the Euro area issuing over-night borrowing in Euros, since the Euro will not be their currency.

Some officials have proposed there should be credit limits and higher demands for collateral for those banks outside the Emu area who wish to borrow Euros. They say these measures will be particularly necessary if reserve requirements are imposed - as the Germans are demanding - on banks inside Emu.

Celebration time
Boris Yeltsin (left) receives congratulations and flowers from Russian prime minister Viktor Chernomyrdin during a Kremlin meeting yesterday following Yeltsin's electoral victory

Chernomyrdin boosts position after Yeltsin win

By Chrystia Freeland and John Thornhill in Moscow

Mr Victor Chernomyrdin, the Russian prime minister, moved quickly yesterday to consolidate his position as the heir apparent to Mr Boris Yeltsin, after the ailing Mr Yeltsin won a convincing victory in the country's presidential elections.

Mr Yeltsin asked Mr Chernomyrdin to form a new government, which the prime minister took as a signal that he could reduce the influence of Mr Alexander Lebed, the former general who was recruited to the Yeltsin team two weeks ago.

As prime minister, Mr Chernomyrdin is the man who takes over if the president dies or becomes incapacitated.

Mr Chernomyrdin, whose main job is to preside over the Russian economy, said he would block Mr Lebed's efforts to extend his mandate as head of the Security Council to include economic issues and was dismissive of the maverick officer's public calls to restore the vice-presidency.

"I am not going to give away anything to anyone... there is enough work for everyone, including the Security Council," Mr Chernomyrdin said. He added that he was not opposed to the re-creation of a vice-presidency – an office Mr Lebed appears to be eyeing for himself – but only after the next presidential elections, due to take place in 2000.

Preliminary returns showed Mr Yeltsin had won Wednesday's poll with the support of 53 per cent of voters, a 13 per cent lead over his Communist rival Mr Gennady Zyuganov.

The victorious Russian leader appeared briefly on television, urging Russians to come together after their novel experience of an open contest for national office.

Yet even on the day of one of his greatest triumphs, Mr Yeltsin prolonged a retreat from the public eye which has now lasted for eight days, fuelling concerns about his health.

Mr Zyuganov admitted defeat, belying some predictions that the opposition would respond to a loss in the polls with violence. His swift concession might also open the door to co-operation between some of the more moderate Communist politicians and the re-elected Yeltsin administration.

Mr Chernomyrdin also criticised Mr Grigory Yavlinsky, the democratic politician who came in fourth in the first round of

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Nissan plans to restructure UK and Spanish plants

By Michiyo Nakamoto in Tokyo and Haig Simonian in London

Nissan Motor indicated yesterday that its European production plants in the UK and Spain would be restructured in an effort to return to profitability.

Mr Yoshikazu Hanawa, who succeeded Mr Yoshifumi Tsuji as chief executive at Japan's second largest carmaker last month, said yesterday that restructuring abroad would be his top priority.

The company, which suffered a consolidated loss of Y88.4bn ($796m) in the year to March 1996, has been particularly hit by fierce competition in Europe and turmoil in Mexico, where it also has large plants, after the devaluation of the peso.

"Business in Europe is increasingly difficult. European companies have become very strong so we cannot carry out business as we have in the past," Mr Hanawa said.

Although he did not give specific restructuring details, he said he was aiming to get the company's European business "back on its feet" through further streamlining and higher sales after the introduction of the Primera this year. He hoped that the group's problems in Mexico would ease as the peso stabilised.

Nissan suffers from expensive excess capacity in both Europe and Mexico. Production in Mexico, where the company has three plants, is running at about two-thirds of its 300,000 capacity.

A similar problem has arisen in the UK, where Nissan was the first Japanese carmaker to set up production in 1985. Nissan's plant in north-east England is running well under its 300,000 capacity. Output, which peaked at 246,000 units in 1993, is expected to be 215,000 units this year. The shortfall has prompted studies on whether the company should add a third model alongside the Primera and the Micra around the turn of the century.

In Spain, where the company bought into Moter Iberica in 1980, Nissan has had to spend heavily on restructuring its subsidiary, including buying out minority shareholders.

Mr Hanawa said he also wanted to increase the group's market share in Japan by taking the lead in safety and environmental awareness and improving cost competitiveness.

The company aims to sell 1.2m cars in Japan this year – half the 2.5m unit target set by Toyota, the market leader. Nissan managed to increase domestic market share last year for the first time in six years.

Some analysts believe the task will be complicated as the Japanese market grows more competitive because of higher imports. Sales of imported cars rose by 14.9 per cent in the first six months of this year compared with a year earlier.

Mr Hanawa said he did not intend to cut the range of models offered. Nissan's strategy was to be a kind of department store selling as many models as possible with character, he said.

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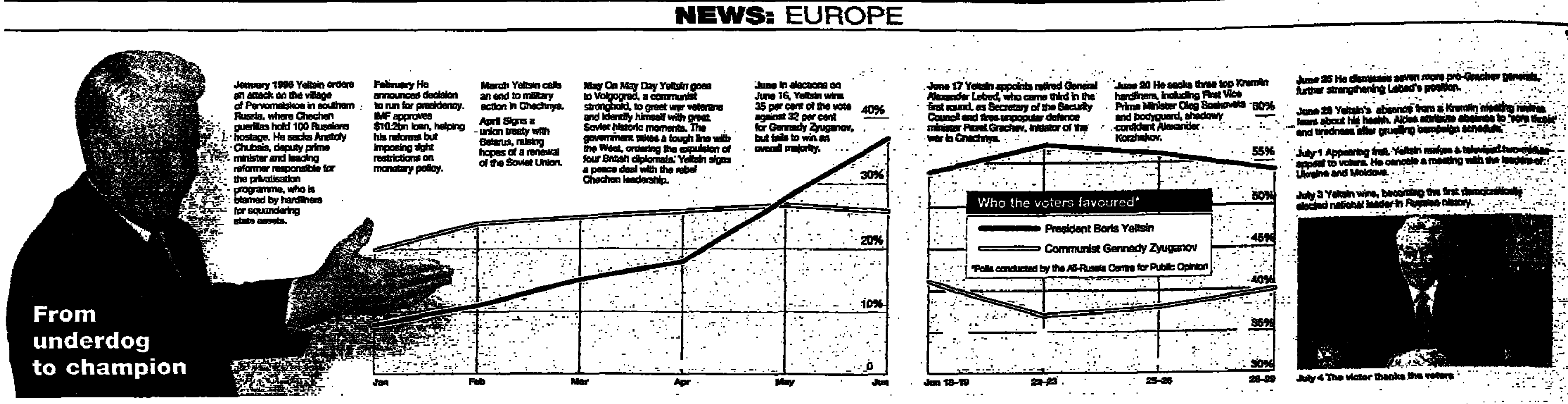

Victory for Russian-style democracy and capitalism

A century and a half ago the Marquis de Custine, one of Russia's most eloquent foreign chroniclers, concluded that this vast Slavic wilderness was united principally by the fact that "Russians, great and small, are drunk with slavery".

His unflattering observation earned him the Tsar's wrath. Both he and his book were banned from Russia, but it was an apt summary of nearly a millennium of brutal autocracy and proved an equally accurate prophecy of seven decades of communist dictatorship which succeeded the imperial regime.

This week Russians demonstrated that Custine's comment no longer holds true. For the first time in their nation's history, 108m Russian voters had the opportunity to choose a new Kremlin leader in a poll which international observers and the defeated presidential candidate admit was broadly free and fair. By a wide margin, they used that chance to re-elect a man who, for all his failings, has brought a market economy and democracy to Russia and to reject the Communist challenger who promised a return to the jail-house stability of the Soviet era.

These watershed results inspired even the normally stolid premier, Mr Victor Chernomyrdin, to sing an openly emotional paean to democracy and the Russian people as he announced his government's victory yesterday. As the godfather of Russia's powerful oil and gas barons, Mr Chernomyrdin has particular reason to be contented with this week's vote. Alongside democracy, a group of very lucky capitalists are the biggest beneficiaries of Mr Boris Yeltsin's political victory.

Over the past five years Russia has undergone a wrenching transformation from central planning to a market economy. The Kremlin's haste to shift property from the government to private owners has turned a coterie of political insiders into overnight billionaires in a process which can, with equal justice, be described as the theft of the century or as the era's most ambitious market reform.

This week's election was, in part, a referendum on these reforms, and it was one which many leading members of Russia's nascent bourgeoisie feared might deprive them of their newly accumulated wealth.

Mr Yeltsin's re-election has put these fears to rest. The second revolutionary redistribution of Russian property in this century now seems likely to last.

Yet while Russia's *sans culottes* did not storm the red walls of the Kremlin, they did register a powerful protest which the nation's triumphant masters will ignore at their peril. Nearly 40m Russians backed Mr Yeltsin, but more than 29m supported his Communist rival and 3.5m more were so disgusted by the candidates that they took the time to vote against both.

To make Russian democracy and capitalism truly secure, Mr Yeltsin and his government must now strive to distribute the national spoils more broadly and give ordinary Russians the prosperity he promised in his campaign.

Yet the Kremlin risks being distracted from this national challenge by the internecine battle already raging within the victor's tent. Russian voters have pronounced Mr Yeltsin fit to rule for another term, but it is not clear if the actuaries share this optimistic opinion.

Even yesterday, on the day of one of the greatest triumphs of his career, Mr Yeltsin declined to appear in public, marking the eighth day of the 65-year-old leader's seclusion. In the tight-lipped Soviet tradition which they have been faithfully following since Mr Yeltsin first disappeared from view, senior government leaders have refused to explain the president's mystery illness, dismissing public questions with an imperial hauteur.

Yet within the corridors of power, Mr Yeltsin's frailty has already provoked a fierce succession struggle. First in line is Mr Chernomyrdin, who secured his claim to the mantle yesterday with the announcement that the president had asked him to stay on as premier.

Mr Chernomyrdin's post is a job made doubly important because, according to the Russian constitution, if the president dies or is incapacitated the prime minister takes over as interim head of state. Although new presidential elections must be called within three months of the elected leader's departure, Mr Yeltsin's victory this week has shown that, in Russia, incumbency is the most powerful weapon a presidential contender can deploy in his campaign for office.

Mr Chernomyrdin made no secret yesterday that it is he who stands just one heartbeat away from an ailing man's presidency.

The prime minister was the government official who made the only public victory announcement and he used the opportunity to belittle two potential rivals: Mr Alexander Lebed, the recently appointed security chief, and Mr Grigory Yavlinsky, who is Russia's leading opposition democratic politician.

The premier's performance was a swift and polished move to step into the potential political vacuum which seems to have opened up less than a day after a election. Nevertheless he still faces powerful challengers, including Mr Lebed and Mr Yuri Luzhkov, the influential mayor of Moscow.

For the past six months, as the red Communist barbarians prepared to storm the gates, Russia's elites have followed the advice of Yaroslav the Wise, a ruler of Kievan Rus who urged his sons to unite lest they be crushed by their enemies. Now their foes have been vanquished and their system and spoils preserved, the princes of the Kremlin may turn their attention to rivals closer to hand.

Chrystia Freeland

Masterly performance from ailing president

From under 8% in opinion polls just six months ago he came back to win a resounding victory

President Boris Yeltsin may have given millions of Russians many reasons to doubt him but his impressive victory in the presidential elections confirms his standing as the most masterful national politician of his age.

At the beginning of the year, the ailing president appeared to have little chance of winning a fresh mandate as he languished in the opinion polls with less than 8 per cent support.

Russian troops were still mired in a brutal and unpopular conflict in the breakaway region of Chechnya. The nascent market economy had still not delivered many noticeable benefits to the bulk of Russia's long-suffering people. And the revamped Communist party appeared rampant after its victory in December's parliamentary poll.

But six months later, Mr Yeltsin won a resounding victory by a margin of 14 percentage points. Even his supporters express surprise at the extent of his political resurrection.

"Yeltsin won because he is the best campaigner in Russia," says Mr Yegor Gaidar, the former prime minister, who reluctantly backed the president.

"In 1994 and 1995 everybody forgot that he knows how to win election campaigns. But more than anyone else he knows how to talk to the Russian people, to dance with the Russian people and to deal with the Russian people."

The groundwork for Mr Yeltsin's victory was laid in the early months of the year when his impressively organised campaign team set about identifying the issues which alienated the voters and devised a strategy to address them.

In a series of focus groups with potential voters, complaints about the Chechen war, the failure of the government to pay wages and pensions on time, and the perceived corruption of Mr Yeltsin's entourage constantly resurfaced.

Mr Yeltsin moved decisively to tackle all three issues – even if it remains doubtful whether he has successfully resolved any of them.

In January, he abruptly dismissed Mr Anatoly Chubais, the first deputy prime minister in charge of the economy, blaming him for the social hardships that had accompanied the country's tough stabilisation programme.

On a series of subsequent campaign trips, Mr Yeltsin promised to eliminate wage and pension arrears and vowed to strengthen the country's social safety net.

But with the shamefaced effrontery that characterises the man, Mr Yeltsin then gave Mr Chubais a central role in his re-election campaign where the radical reformer could deploy his formidable administrative skills to the full.

Mr Yeltsin staged a remarkable coup in inviting the rebel Chechen leadership to hold peace talks in the Kremlin and visiting the region the next day to declare "victory" in a war, which has killed more than 30,000 people.

Following the first round of elections on June 16, Mr Yeltsin then quickly sacked General Pavel Grachev, the unpopular defence minister who had conducted the Chechen war, and recruited Mr Alexander Lebed, the maverick former general, as the president's chief security adviser.

Mr Lebed was seemingly given a free hand to implement his promises to restore law and order in Russia and the heads of three of Mr Yeltsin's most unpopular hardline advisers were quick to roll.

The campaign team also realised it had to devise a means for rebuilding personal trust between the voters and the isolated president. Mr Yeltsin's energetic campaigning, where he demonstrated his natural personal personal warmth and ferocious will, were vital in restoring people's faith in the president.

The compliant media also played its part in polishing the president's image as a Tsar-like "father of the nation", who may have been surrounded by incompetent ministers, but nevertheless listened to the people's concerns and took measures to address them.

A gentle advertising campaign constantly repeated on television and in countless outdoor posters across the land pushed the slogan: "I believe, I hope, I love," with ordinary Russians shown airing their grievances and expressing hopes for the future.

Mr Yeltsin's innate political instincts allowed him to dictate the day-to-day political tactics during the campaign, a task made easier by the poor political skills of Mr Gennady Zyuganov, his main communist challenger.

By undermining the independence of his moderate rival candidates by snaring them in fruitless talks about possible political alliances, Mr Yeltsin was also able to present himself as the only political force capable of standing up to the threat of a communist revanche.

It was then only a short step towards presenting the election as a choice between the future and the past.

John Thornhill


Chernomyrdin (left), lining up to succeed Yeltsin, listens to presidential aide Victor Ilyushin Reuter

Communists accept defeat like democrats

Mr Zyuganov's concession of defeat yesterday is a sign that Russia's Communists may be preparing to abandon Lenin's Bolshevik tradition and evolve into a social democratic party which accepts the capitalist rules of the game but seeks to soften its harsher implications.

"I think that we have a historic day," said Mr Boris Berezovsky, one of Russia's new, overnight magnates, whose empire ranges from a television station to car dealerships. "We will never again need to choose between communism and capitalism."

This conviction rests on the belief that the 30m voters who came out for the Communists this week represent a high-water mark for hardline Bolshevism in Russia.

Market reformers are confident that as the old Soviet generation dies out, and as the rest of the country begins to reap the benefits of fledgling capitalism, the die-hard leftist constituency will shrink.

Formed by those hardcore Soviet Communists who lacked either the skills or the desire to follow their comrades into Boris Yeltsin's Kremlin, the new Russian Communist party fought this month's election with fire and brimstone promises to set right the injustices of the Yeltsin regime.

That uncompromising platform's failure to attract the support of a majority of Russians seems likely to split the "national-patriotic bloc" which backed Mr Zyuganov's candidacy into social-democratic and hardline factions, and perhaps to place a question mark over his leadership.

As Mr Vladimir Semago, an entrepreneur and Communist member of parliament who has served as the business-friendly face of the party, suggested as his candidate's defeat became apparent: "We made some mistakes. We shifted too far to the left. We must take more centrist positions."

The triumphant Yeltsin team has already made moves to encourage this split between Communist extremists who still praise Stalin and the party's more moderate wing by hinting that some Communists might find a place in the new government.

"We have made no divisions into reds and non-reds and will not," Mr Victor Chernomyrdin, the prime minister, said.

One of the Communist bloc members most likely to be courted by the Kremlin is Mr Aman Tuliev, a personable politician from the Kuzbas whose "professionalism" has been praised by Yeltsin allies.

Another central figure in the government's effort to split the Communists is likely to be Mr Gennady Selezniev, the Communist speaker of parliament, whose co-operation is essential if the winning team hopes to continue smoothly with market reforms.

Chrystia Freeland

Euphoria in markets at election result

There was a barely suppressed sense of euphoria in Moscow's financial markets yesterday after traders woke to the news of Mr Boris Yeltsin's comprehensive election victory.

But astute investors customarily celebrate events before they happen. Much of yesterday's elation has already been reflected in the price of Russian financial assets.

Russia's fledgling stock market has more than doubled since March, while the government debt market has experienced an astonishing rally over the past month. Annualised yields on six-month paper have dropped from 240 per cent to below 90 per cent in anticipation of Mr Yeltsin's re-election.

Investors are now shifting their gaze towards the economic future and there could well be some ugly sights along the road before the vista brightens.

"For the last six months the whole emphasis has been on political risk and now that is out of the way you come back to economic reality," says Mr Alex Knaster, head of the Moscow office of CS First Boston, the international investment bank. "The economic situation has not been improving substantially in the past six months and maybe it has even got worse."

The immediate challenge confronting the Russian government will be to get its much-strained public finances back in order to ensure its financial stabilisation programme remains on course.

While Mr Yeltsin liberally doled out lavish spending promises in his attempts to buy electoral popularity, there was a simultaneous and alarming fall in budgeted tax revenues.

The ministry of finance was able to cover the widening budget deficit only by issuing increasing amounts of government debt at ever more punitive rates of interest. Outstanding short-term government debt has increased this year by 77 per cent to Rbs144,900bn ($28.3bn) in May. The government will have to take drastic action to raise additional revenues if it is to avoid a budget-ary crunch and remain within the targeted budget deficit of 4 per cent for the whole year.

Many economists believe the position is retrievable as long as there is the political will. But the worst fear of investors is that an exhausted Mr Yeltsin will retire to his country dacha, that government economic policy will drift, and that the Communist-dominated parliament will obstruct necessary reforms, such as rewriting the tax code and land privatisation.

Even if the government does press purposefully ahead with reform it will have to deal with an inevitable shake-out in the banking sector, where hundreds of under-capitalised and over-extended financial institutions will surely perish in a harsher low-inflation environment.

Mr Yeltsin's victory will certainly draw more potential investors to Russia and bolster the prospects for a long-term boom in the country's capital markets. But, in the short term at least, the markets may remain surprisingly muted.

"Investors in the Russian stock market are typically contrary. They buy on bad news and sell on good," says Mr Knaster of CS First Boston. "Some people will use the election news for opportunistic selling. I do not expect the next three months to be great," says Mr Knaster.

John Thornhill

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Rival companies threaten to bring their own product into disrepute

Fizz goes out of Spanish bubbly

By Tom Burns in Madrid

What started as a commercial spat between the two giants of Spanish bubbly has ended up muddying the wineries of Catalonia and threatens to bring *cava*, the region's champagne look-alike, into disrepute.

Irked by price cuts introduced by Freixenet, the dominant *cava* exporter, rival producer Cordoniu, the leader in domestic sales, launched a whispering campaign several months ago alleging that the rules of *cava* making were being bent.

Cordoniu and Freixenet were expected to patch up their row if only to protect their majority stakes in an industry that earned Pta57bn ($463.4m) last year. Between them the two companies, both family-owned, represent more than 70 per cent of the *cava* business.

But the fizz went flat yesterday when the 27-member Barcelona-based *consejo regulador del cava*, the appellation authority, said it had opened six separate inquiries into alleged irregularities that touch on virtually every aspect of the wine-making process in the Penedès, the *cava*-growing region south-east of Barcelona.

The consejo intends to look into what grapes are being used to make *cava*, how long the wine is aged, how the bottles are labelled and whether records are properly kept by different wineries. The agriculture minister, Ms Loyola Palacio, warned that firm action would be taken if irregularities were proven. But she also said the top *cava* producers were throwing stones at their own roofs by forcing the consejo to review their businesses.

Others believe a shakeout in the *cava* sector may be overdue, for it is losing ground at home and it needs to control its quality carefully if it is to continue building up an export market. Sales peaked in 1989 when 142m bottles were sold, and they stood at 131m last year, of which 50m, a record, were sold outside Spain.

One outcome is likely to be far stricter control of the nine-month fermentation in cellars that is central to the production of *cava*. Cordoniu alleges that Freixenet cuts this period short.

Another likely result is that the French pinot noir grape – used to make champagne and introduced to the Penedès to improve *cava* – will be authorised by the consejo. Freixenet is contesting Cordoniu's use of pinot noir on the grounds that only grapes native to the region can be used to make its wines.

The most encouraging development could be the creation by the appellation authority of sub-divisions of *cava* that would clearly identify the superior type of fizz that is made in limited qualities by the region's smaller wineries. True *aficionados* of *cava* have long learnt to give the big selling brands of the sector's two giants a wide berth.

Brussels may seek more help on vetting state aid

By Guy de Jonquières in London

The European Commission is considering asking EU member states to clarify and streamline its authority to vet state aid to industry, to enable it to deal more effectively with a marked rise in its workload.

Mr Karel Van Miert, the competition commissioner, said he expected about 2,000 cases to be notified to Brussels this year, twice as many as last year and more than five times the number in 1988. More than half this year's cases were likely to involve subsidies in eastern Germany.

"I am really astonished that we can go on doing the job," he said in London yesterday. Cases were growing more complex and were becoming more frequent in sectors such as banking and broadcasting, where state aid had not been a problem until recently.

Mr Van Miert said he was discussing with the Irish government, the new president of the EU Council of Ministers, a plan to convene a meeting this year to study ways of modernising the mechanisms for handling state aid cases.

He said the Commission was working on a draft proposal for new and more systematic procedures, similar to those used to deal with mergers and restrictive practices cases.

Among his aims were provisions for exempting certain types of state aid from Commission action, subject to conditions, and authority to monitor more closely implementation of past EU decisions. He also wanted more staff.

Mr Van Miert said his decision on how to proceed would depend on consultations with EU governments, and warned them against using a debate on state aid policy to try to loosen the rules. "If that appears to be the case, there will either be no proposal, or it will be taken off the table," he said.

Mr Van Miert said the more than Ecu100bn ($125.56bn) annually spent on state aid in the EU was still too high, and a tenth of all cases were not notified to Brussels. Rising unemployment was also encouraging member states to subsidise industry in defiance of EU rules.

Brussels airline probe, Page 4

NEWS: EUROPE

Slow progress in curbing public deficit prompts call for action 'as rapidly as possible'

UK warned over pre-election tax cuts

By Lionel Barber in Brussels

The UK government cannot afford pre-election tax cuts if Britain is to stay on course for joining the single currency in 1999, according to a warning by the secretive EU monetary committee.

The monetary committee blames slower-than-expected progress in curbing Britain's public deficit and calls for action "as rapidly as possible".

The warnings about the British budget deficit and the recommendations for corrective action are contained in a document which is expected to be endorsed by EU finance ministers at a meeting in Brussels next Monday.

Eleven other EU member states – including France and Germany – will receive similar censure about "excessive deficits". Only Denmark, Ireland, and Luxembourg escape being put on a blacklist for running deficits beyond the target of 3 per cent of GDP in 1995.

All candidates for monetary union will be judged on their performance in 1997 at a meeting of EU leaders in spring 1998.

The Maastricht criteria include exchange rate stability, low inflation and interest rates, budget deficits and government debt of 3 per cent and 60 per cent of GDP respectively, or movement at a satisfactory pace in that direction.

The monetary committee – made up of senior national treasury officials – agreed to recommendations on corrective action in each member state this week.

While welcoming the UK government's commitment to reducing its deficit, it notes:

"If a deficit of 3 per cent of GDP or less is to be achieved in 1997 there would appear to be no room for relaxation with respect to revenue and expenditure policy given the recent weaker than expected trend in revenues...continued tight control of expenditure will be necessary."

For Mr Kenneth Clarke, UK Chancellor, the recommendations on corrective action could be helpful in fending off pressure from Tory backbenches for tax cuts ahead of the general election, to be held by next May at the latest.

However, officials in Brussels noted that the link between meeting Maastricht criteria for Emu and the potential for tax cuts could prove politically sensitive in the UK.

Tory Euro-sceptics are pressing the government to rule out joining the single currency in the next parliament. As a concession to his right-wing, Mr John Major, UK prime minister, has pledged to hold a referendum on the single currency. But Mr Clarke has insisting on keeping all options open on whether to join Emu.

The monetary committee's document notes that the UK government last spring postponed its goal of hitting the Maastricht treaty target of 3 *per cent of gross domestic product* from 1996/7 to 1997/8.

It also notes that the British deficit target of 4.5 per cent of GDP – which EU finance ministers recommended last year – is "unlikely" to have been realised in 1995/6. For 1996/7, the UK government has forecast a deficit of 3.5 per cent of GDP.

Failures of the euro exam, Page 18

Moody's upgrade gives Italian leader a fillip

By Andrew Hill in Milan

Italy's seven-week-old government yesterday basked in the approval of bond and equity markets, following this week's decision by Moody's, the US credit rating agency, to upgrade the country's credit rating.

The upgrade to Aa3, the first since 1991 by Moody's, provided some relief for Mr Romano Prodi, Italy's prime minister, at the end of a fortnight during which his centre-left administration has come under fire for both a lack and an excess of economic rigour.

Mr Sergio Cofferati, general secretary of CGIL, the largest union federation, criticised the government for proposing cuts in social spending, and setting an over-ambitious target for inflation of 2.5 per cent in 1997. Unions are concerned about the inflation target because it provides the basis for wage negotiations.

The Bank of Italy's reluctance to lower interest rates until inflation is well under control, and a slowdown in forecast economic growth, are also limiting the new government's room for manoeuvre.

Since coming to power, the government has approved a mini-budget for 1996, consisting of L16,000bn ($10.3bn) of

Prodi: half-measures 'useless'

corrective measures. Last week, Mr Carlo Azeglio Ciampi, the treasury and budget minister, introduced the three-year macro-economic programme, which aims to reduce the budget deficit to 3 per cent of GDP in 1998, a year later than the Maastricht criteria for entry into Emu. The 1997 budget, due in the autumn, will aim to find L32,400bn in cuts and new revenue.

The three-year programme was attacked by Mr Mario Monti, one of Italy's European commissioners, who said he had expected more of a stable government at the beginning of a five-year mandate. The criticism hit home, especially as the centre-left government has set a return of the lira to the exchange rate mechanism as one of its early objectives.

Speaking at the CGIL congress, Mr Prodi said his government had to "turn a new page, and half-measures would be worthless".

"We are making this great effort, the effects of which must last for years. But we have managed to obtain, for the first time, an equitable division of the burden," he said.

Yesterday, Italian bonds and equities strengthened and the lira was stable at just over L1,000 to the D-Mark.

But in an indication of the sensitivity of the economic situation, the government had to clarify comments made by Mr Carlo Azeglio Ciampi, the treasury and budget minister, in which he seemed to suggest another mini-budget would be necessary in early 1997. Mr Massimo D'Alema, leader of the PDS, said there was no such manoeuvre in sight.

The treasury said that the economic programme provided for an acceleration of convergence with Maastricht this autumn, if economic and market conditions allowed.

Court to probe search of mayor's apartment

By David Buchan in Paris

The Paris appeals court said yesterday it would examine a dispute that has broken out between magistrates and police over a search last week of the apartment of Mr Jean Tiberi, the mayor of Paris, thereby ensuring this awkward affair for France's Gaullist establishment rumbles on.

At the centre of the judicial row is Mr Eric Halphen, a magistrate who had been investigating allegations that Mr Tiberi improperly let his son rent a city-owned apartment and who is still investigating allegations that housing contractors had inflated their bills in order to pass money to the Gaullist-dominated Paris city council.

Last week's decision by the Paris prosecutor to take Mr Halphen off the case of the Tiberi son's apartment brought sharp criticism from opposition Socialists. But a much wider outcry, extending to magistrates and even some Gaullists, had followed the earlier refusal by the head of the Paris criminal police to let his officers join Mr Halphen in searching the mayor's own apartment.

The police are generally supposed to do the bidding of magistrates in possession

Tiberi: threatened legal action

of an investigation mandate.

The Paris appeals court has now agreed to the request of the French magistrates association to consider the propriety of the police chief's inaction. Its closed-door hearing on Monday may be inconclusive, but it prolongs a bit further the "homes for the boys" affairs which have been swirling around the town hall and which caused Mr Juppé acute embarrassment last year when the Paris prosecutor ordered him out of his own city-owned flat in Paris.

If the allegations about Gaullist mismanagement in the capital, of which President Jacques Chirac was for 18 years mayor, rumble on, they could split government backbenchers, if not the government itself. Inside the ruling Gaullist RPR-centre/right UDF coalition, a few MPs identified with Mr Chirac's Gaullist presidential rival, Mr Edouard Balladur, have openly complained about the Paris police's behaviour.

However, the police chief's insistence that he acted without consulting his political superiors has for the moment stifled suggestions of a high-level cover-up. Mr Tiberi has fought back by saying he will take legal action against those who leaked results of Mr Halphen's investigations to the police.

Mr Alain Juppé, prime minister, has said the government may try to legislate to stop the widespread leaking of judicial investigations.

■ Mr Juppé defended his government's economic record in a TV interview on Wednesday night. He admitted that "for several weeks, there has been bad news" on the economy. Holding out the prospect of a rosier future, he insisted that "we have a policy that bears fruit", though it consisted of reforms that were aimed at "the 5-10 years to come".

EUROPEAN NEWS DIGEST

Works councils total up in EU

More than 140 companies operating in the European Union have already set up works councils, three months before the controversial European Works Council Directive takes effect, according to research by the European Commission.

The list includes 13 UK companies, even though the directive does not cover the UK because of its opt-out from the *Maastricht treaty's social chapter. The directive says every* company operating in the EU employing over 1,000 people, with 150 of them in at least two member states, must establish a workers' information and consultation committee.

Many companies have acted early, as concluding agreements before the directive takes effect on September 22 avoids certain formal requirements, such as establishment of a special negotiating body.

German and French companies make up half the list, with 43 and 31 respectively. The US and Japan appear seven times each, while of EU members only Spain and Greece are not represented.

Neil Buckley, Brussels

East German land claims delay

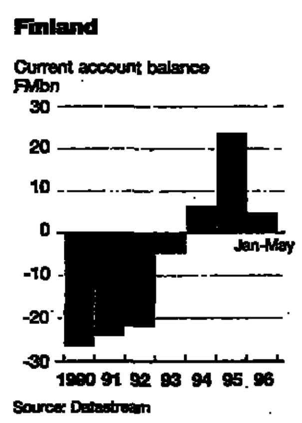
Property claims for east Germany's agricultural land can not be resolved until the end of the century, at which time some land can be bought and sold at market prices, the BVVG, the agency charged with privatising east German land, said yesterday.

Delay in settling property rights to 1.1m hectares of land placed in 1991 under the BVVG, a division of the Treuhand privatisation agency, stems from hundreds of claims from former landowners who had property expropriated by the Soviet administration that occupied eastern Germany in 1945-49. However, under the terms of the German unification treaty of 1990, they had not been entitled to any compensation, unlike land confiscated by the Nazis in 1933-45 or by the communists between 1949-90.

Judy Dempsey, Berlin

ECONOMIC WATCH

Finland records trade surplus



Finland's preliminary current account for May showed a FM2.6bn ($560m) surplus after a revised FM1.1bn deficit in April, according to figures released yesterday by the Bank of Finland. The surplus in the five months to May was FM4.8bn, down from FM5.7bn a year earlier. The data from the central bank also showed Finland's trade surplus rising to FM4.6bn in May, up from FM3.2bn the month before.

■ The Bank of France yesterday lowered its key intervention rate to 3.55 per cent from 3.6 per cent. It left its less closely watched five-to-10 day emergency lending rate unchanged at 4.9 per cent.

■ German industrial orders rose 0.3 per cent in May from April, much less than the 2.8 per cent surge in April. West German orders fell by 0.3 per cent month-on-month but were outweighed by an 11 per cent increase in the east, which kept the pan-German figure positive.

NEWS: WORLD TRADE

Brussels airline probe faces squally skies

Commission's inquiry into transatlantic link-ups is setting off on an uncertain flight

Competition watchdogs in Brussels are notorious for working in lofty isolation. So the joint investigation into transatlantic airline alliances launched this week by Mr Karel Van Miert and Mr Neil Kinnock, the competition and transport commissioners, is a striking break with tradition.

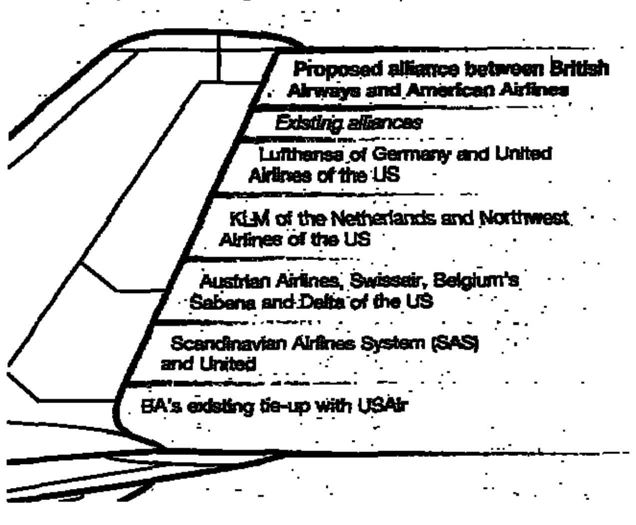
So, too, are the reasoning underpinning the investigations and the methods chosen to pursue them. Largely untested by the European Union, they could invite a bruising confrontation with member states, ever suspicious of Commission attempts to expand its formal treaty powers.

It is uncertain, however, whether this muscle-flexing is a bold gambit by Brussels regulators to get ahead of rapid structural change in the airline sector – or a desperate attempt to avoid being left behind.

Airlines on both sides of the Atlantic suspect the latter.

"None of the other alliances, which have been approved by the US Justice Department and implemented, has been investigated either by their national authorities or by the Commission," says Mr Robert Ayling, chief executive of British Airways, whose recent link-up with American Airlines helped trigger the Commission's inquiries.

Under a cloud: EU probes into transatlantic tie-ups



The industry believes that deal posed a dilemma for Brussels because it was so much bigger than previous ones. If the Commission had failed to act, it could have undermined its case for vetting any alliances in the sector – and its claim to play a part in shaping the regulatory environment in which they will operate.

That was a particularly important consideration after last month's decision by the Council of Ministers to give the Commission the mandate it has eagerly sought to negotiate with the US on "open skies" arrangements on behalf of the EU.

Having the competition investigations up its sleeve could strengthen Brussels' bargaining position with Washington, which has refused to grant anti-trust exemption to transatlantic alliances unless European governments opened their markets to US carriers.

But to establish its right to intervene the Commission has had to resort to imaginative – some say over-ambitious – interpretation of EU policy and law. The treaties give Brussels an explicit remit only to vet airline competition within the EU. Though the Commission thinks that may be affected by the alliances, it also wants the right to examine transatlantic competition and access by European carriers to the US market.

It has invoked Article 89, an obscure and vaguely worded treaty provision which, Brussels says, empowers – indeed, requires – it to act against infringements not caught by Articles 85 and 86, the EU's main weapons against restrictive practices and mergers. But Article 89 has been so rarely used that no formal procedures exist for applying it.

The Commission's interpretation risks being challenged by EU governments on principle as well as on legal grounds. "Member states do not like the Commission asserting powers which are not explicitly spelled out. This is likely to make some of them very angry," one EU legal expert said.

Several challenged in the European Court Brussels' use of an equally untried treaty article in the 1980s to open state monopolies to competition. Though the Court sided with Brussels in the end, the case took months to decide.

It is unclear how the EU's investigations will mesh with those by national authorities, and what will happen if their conclusions differ, particularly as Article 89 requires them to co-operate. Britain's Office of Fair Trading is considering asking the Monopolies and Mergers Commission to investigate the BA-American deal.

Equally controversial is the Commission's decision to investigate existing alliances, some as much as seven years old, which it failed to challenge at the time. It argues that while, individually, they gave no grounds for concern, cumulatively they have led to market concentration which raises fresh competition worries.

Independent legal experts say that while that view may be justifiable in theory, it has seldom been applied in practice. Brussels will therefore be seeking to impose the law without benefit of precedent.

Airline executives believe the Commission really chose to investigate all the alliances because it could have been accused of unfair discrimination if it had pursued only the BA-American deal. Mr Ayling says the two airlines only got together in response to link-ups between other carriers.

Some alliance partners are likely to argue that, having failed to intervene earlier, the Commission's watchdogs are now trying to turn the clock back.

It is also unclear what action Brussels could take if it found some link-ups anti-competitive after they have been in operation for years.

The one certainty is that the Commission is playing for high political stakes, presumably because it judged it had no alternative. If it wins, it will establish important new precedents and powers. But if it loses, it risks a bloody nose.

Guy de Jonquières, Michael Skapinker

WORLD TRADE NEWS NEWS DIGEST

Investors shy of Asean region

South-east Asian economies are no longer attracting as big a share of foreign investment in Asia, an Asean conference on regional investment was told yesterday. The Association of South-east Asian Nations (Asean) – which includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam and Brunei – must implement an Asean Investment Area to shore up foreign investment, the group's secretary general, Mr Ajit Singh, said. Asean's share in total foreign direct investment flows to Asia dropped to 31 per cent from 62 per cent between 1991 and 1994, he said.

"If this trend continues, Asean economies may find it difficult to sustain their pace of industrial development and economic momentum in line with our planned national economic objectives," he told heads of Asean investment agencies. *Reuter, Kuala Lumpur*

Boost for Canadian lumber

Canadian lumber exporters have achieved a long-awaited breakthrough with a decision by Japan's construction ministry to accept Canadian grading standards. The decision is expected to ease red tape significantly for suppliers of so-called "2x4" planks which are the staple material for building of wooden houses.

Until now, structural lumber exports have had to meet Japanese grading standards. Over 50 Canadian sawmills, mainly in British Columbia and Alberta, have so far been accredited under the Japanese standard. Canada supplies about 80 per cent of the lumber used in Japan's fast-growing market for wooden homes. Exports are running at about C$600m (US$440m) a year. Japanese buyers will now have the option of specifying either Canadian or Japanese grading standards. Five Canadian lumber associations have been approved as grading authorities. *Bernard Simon, Toronto*

'Rights' barriers condemned

Mr José Angel Gurria, Mexico's foreign minister, in Singapore for two days, yesterday cautioned against using environment and labour rights as "spurious" excuses to keep out cheaper goods produced by competitors from developing nations. He said that these issues were better left to be dealt with by such bodies as the International Labour Organisation.

Poorer countries with cheaper labour accuse the west of using the issues to impose non-tariff barriers, violating the spirit of free trade. The issues are likely to dominate the inaugural World Trade Organisation ministerial meeting in Singapore in December. *AP-Dow Jones, Singapore*

Zimbabwe suspends new tariffs

Zimbabwe yesterday suspended new tariffs introduced this week aimed at protecting local industries from cheaper imports flooding the market, Mr Herbert Murerwa, finance minister, said. He said the government was suspending the tariffs to allow further consultations with its partners within the 12-nation Southern African Development Community. The tariffs, which followed years of intensive lobbying from local companies, raised import duty on goods including textiles, clothing and batteries. *Reuter, Harare*

■ Austrian energy giant OMV said yesterday it had acquired 31 petrol stations in Hungary from Kuwait Petroleum Company. With the acquisition of the filling stations, operating under the Q8 name, OMV increases its market share in Hungary from 5 to 9 per cent. *AP-Dow Jones, Vienna*

Cuba to press for Lomé-style trade access to EU markets

By Canute James in Bridgetown

Cuba is seeking a trade agreement with the European Union which will give it access to preferential markets similar to that enjoyed by the 70 countries of the African, Caribbean and Pacific (ACP) countries.

Cuban government representatives are to meet the European Commission in Brussels next month to argue the country's case for an arrangement similar to the Lomé Convention, according to Mr Jorge Bollanos, the first deputy foreign minister.

The possibility of Cuban participation in a trading arrangement with the EU will also be discussed by the 15 Caribbean members of the ACP in November. They are expected to consider the impact of such a development on their markets in the EU, and the prices which they receive for their exports, mainly commodities, if Cuba is granted trade preferences.

"We are the only country in the Caribbean which is not a beneficiary of a trade treaty with the European Union," Mr Bollanos said in Barbados, where he is observing this week's summit of the Caribbean Community (Caricom).

"We do not yet know whether we will seek to be a part of the Lomé Convention, or something else, as the convention will soon expire."

The convention is a trade and aid treaty between the EU and the ACP group, made up of former colonies of European powers. The signatories have preferential entry to the EU for several of their exports, and benefit from aid from the EU. The current convention expires in 2000, and it is widely expected in the EU and the ACP that it will not be renewed in its current form.

"We are entitled to such an arrangement and we have the capacity to make use of it," said Mr Bollanos.

Cuban sugar, citrus and maize would benefit immediately from a Lomé-type arrangement, Mr Bollanos said.

Cuba's interest in being a signatory to the Lomé Convention or a similar agreement is likely to discomfort the US, which has been trying to increase economic pressure on Cuba to bring about economic and political reforms. Most of Cuba's leading trading partners, including Canada, Mexico and the EU, and its neighbours in the Caribbean, have rejected efforts to tighten the economic sanctions.

"We will not be happy at such a development, although we would not be surprised, given the reluctance of the Europeans to pressure the Cuban regime into respecting the human rights of its people," said a US envoy to the Caribbean.

Malaysia eases line on telecom mergers

By James Kynge in Kuala Lumpur

Malaysia, in a surprise policy reversal, is to stop trying to force mergers in its telecommunications industry and will instead allow free competition to rationalise the sector.

Mr Leo Moggie, minister for energy, telecommunications and posts, said all six companies with full service licences would be allowed to keep them. Since January the government has said repeatedly that it wants to see only three full service operators.

The policy switch is being seen as a recognition that months of government persuasion have failed to bring about the mergers.

Foreign observers welcomed the change of tack as a return to a more consistent regulatory framework and free market economics. Many foreign diplomats and investors had criticised the decision because of the apparently arbitrary way in which the government decided which company could keep its licence and which could not.

The share price of Telekom Malaysia – which was never in danger of losing its licence – fell 30 cents to M$22 as it became clear that the former state monopoly would face five competitors for longer than expected.

It is not yet clear how the policy reversal may affect foreign interests in Malaysia's telecoms sector. Deutsche Telekom last month agreed to buy a 21 per cent stake in Technology Resources Industries at an estimated cost of M$570m (US$228m). TRI was set to be one of the three licensed operators.

For US-based International Wireless Communications, which owns 30 per cent of Sistem Telefon Wireless, the move is an unexpected boon because its partner was resisting a forced merger.

NEWS: ASIA-PACIFIC

India oil price rise prompts wide protests

By Mark Nicholson in New Delhi

Indian industry, trade associations and politicians, including some from within the coalition government, yesterday attacked the United Front for sharply raising administered fuel prices, as economists warned the move would help push inflation towards double figures within months.

The 25-30 per cent rise in petrol, diesel and liquid petroleum gas prices incurred the predictable wrath of groups such as opposition parties – with the Bharatiya Janata party threatening to stir up nationwide "agitation" – and taxi and auto-rickshaw drivers, 29,000 of whom in Madras parked their three-wheelers in mass protest.

But the move was also condemned by the Communist Party of India, part of the 13-party governing coalition, and by its sister, the Communist Party (Marxist), and leaders of the Congress party, which both support the UF from "outside".

The price row promises the UF an awkward and noisy start to the "monsoon" session of parliament which opens next week and during which the month-old government will present its budget – on July 22.

The political delicacy of the budget – which must somehow convince markets and investors of the government's fiscal rectitude while meeting the spending ambitions of the UF's mainly leftwing or "social justice" component parties – was emphasised by the CP(M), which has been highly influential in determining UF policy. It warned that the coming budget "must display an alternate approach to resource mobilisation" than the fuel rise, which it said hurt farmers and the poor hardest.

Industry, too, was critical, with the Confederation of Indian Industry calling the move "anti-poor" and "extremely inflationary", and the Federation of Indian Export Organisations saying the cost increases would hit export competitiveness.

Despite the outcry, the prime minister, Mr H.D. Deve Gowda, said the price rises would stand. He and ministers claimed the price rises were overdue, had been delayed for political reasons by the former Congress government, and were necessary immediately, and before the budget, since further delay would have threatened India's ability to finance oil imports in July and August.

However, the price rises will transform the inflationary outlook for India, adding costs across the board to industry and transport, where fuel demand is inelastic and prices are likely to be passed on to consumers. Mr C.L. Kaw, chairman of India's Railways Board, said the rise would add Rs3bn ($85m) to rail's annual fuel costs alone.

BOMBER KILLS 21 IN TAMILS' FORMER STRONGHOLD

A Sri Lankan minister responsible for rebuilding the former Tamil rebel citadel of Jaffna narrowly escaped assassination yesterday but 21 others died in the kamikaze-style attack directed against him, officials said, Amal Jayasinghe reports.

A woman member of the separatist Liberation Tigers of Tamil Eelam blew herself up as Housing Minister Nimal Siripala de Silva got into his car after inaugurating a building materials store in the heart of the northern town of Jaffna, officials said.

Mr de Silva went on state radio within hours of the attack and vowed to press ahead with an ambitious plan to rehabilitate Jaffna, wrested from Tamil Tiger control after a series of military operations begun in October. "I will not be deterred by this attack," he said.

Mr de Silva was a clear target for the Tamil Tigers since he had been hand-picked by President Chandrika Kumaratunga to implement an ambitious plan to reconstruct Jaffna. The government is banking on foreign aid to carry out the work and last Thursday President Kumaratunga appealed for help from the international community.

Colombo-based diplomats who met the president raised concerns of safety and security in Jaffna and there were no firm offers of cash.

Jaffna's long road to rebirth

The only thriving business in Jaffna is run by elderly men filling out compensation claims for war damage. Three men sit outside the bombed hospital in the town helping the less literate write petitions to qualify for government rehabilitation aid. With nearly 80 per cent of homes damaged by years of war, there is no shortage of customers.

Government forces drove out the separatist Liberation Tigers of Tamil Eelam (LTTE) after a series of military operations begun in October last year and brought the entire Jaffna peninsula under their control last month.

The International Red Cross estimates about 400,000 Tamil men, women and children forming about half the peninsula's population have crossed rebel lines and returned home, exceeding the expectations of the authorities.

Mr Somapala Gunadheera, Jaffna's top rehabilitation official, said the priority was to restore food supplies to the refugees who returned to Jaffna and ensure their homes are repaired.

"Food and shelter are the most important things at the moment," Mr Gunadheera told reporters here last week. "This is not a normal situation but we are trying to get things back to normalcy at the earliest."

Supplies are slow to reach Jaffna because the main land routes are still under Tiger control and the authorities have only a handful of ships to ferry food and other essentials from the capital, Colombo, 400km to the south.

> No amount of fiscal incentives is enough to attract foreign investors while the Tamil Tigers are able to carry out terrorist attacks that destabilise the country

Mr Gunadheera said urgent reconstruction work in the Jaffna peninsula, was expected to cost Rs18bn ($325m) and the government expected most of the money to come from foreign donors.

The British government had offered to refurbish a diesel-powered electricity generating station in Jaffna and had already sent two engineers to make a preliminary study, Mr Gunadheera said.

President Chandrika Kumaratunga yesterday said she planned to rebuild Jaffna, former capital of Tamil separatism in the country, as a "peace city" and called for international aid for the project. "The government has committed itself to the policy of accelerated reconstruction of the seriously damaged infrastructure in the area," she said.

Mr Mangala Samaraweera, telecommunication minister, said rebuilding the Jaffna telecommunications network alone was estimated to cost at least $200m and he hoped to get foreign aid for the work.

The government is clearly banking on the Jaffna rehabilitation to lift the flagging economy. The region has not contributed to the country's economy in the five years under rebel control.

Mr G.L. Peiris, justice minister, who is also deputy finance minister, told the Foreign Correspondents' Association in Colombo that the budget deficit, which was 8.4 per cent of GDP last year, will be much wider this year because of stepped up military action against the Tamil Tigers.

"The main reason for the escalating expenditure is, of course, the war. For the year 1996 we had budgeted for a sum of Rs38bn for military expenditure," he said.

"Now the indications are that that will be nowhere near sufficient and we will have to substantially increase the amount to be spent on the war... Never in our country has so much been allocated for military purposes."

He said no amount of fiscal incentives was enough to attract foreign investors while the Tamil Tigers were able to carry out terrorist attacks that destabilised the country.

The minister said it was extremely difficult to prepare next year's budget and expected economic growth this year to be substantially lower than the 5.5 per cent of last year.

Almost all private companies have reported disappointing results in the first quarter, compounding the problems of the tiny Colombo stock exchange, which has been on a steady bear run for nearly two years.

Amal Jayasinghe

ASIA-PACIFIC NEWS DIGEST

Chinese deficit down on target

China's central government budget deficit in 1995 was slightly lower than projected, Mr Liu Zhongli, minister of finance, said in a statement on last year's final budget to the standing committee of the National People's Congress, China's parliament. Mr Liu, quoted by the official Xinhua news agency, said revenues in 1995 were up 11.2 per cent over the previous year, totalling Yn386.7bn ($46.5bn), while expenditure rose 9.3 per cent to Yn452.9bn, resulting in an overall deficit of Yn66.28bn – Yn398m less than projected. However, the level of government revenues remains low when measured as a proportion of gross domestic product. In 1995, revenue raised by the central government amounted to less than 7 per cent of GDP. *Sophie Roell, Beijing*

Suharto health fears hit currency

The Indonesian rupiah tumbled against the dollar yesterday following reports that President Suharto was suffering health problems, underscoring the sensitivities surrounding the succession to a man who has governed for 30 years. Mr Suharto, 75, is due to fly to Germany tomorrow for treatment.

Mr Murdiono, state secretary, said the "president is in good health", prompting the rupiah, which dropped to a low of 2,399 against the dollar on reports of the president's illness, to recover at 2,333.5 at the close.

Mr Suharto completed three official engagements yesterday, including a meeting with Japanese legislators. Jitters over President Suharto's health again raises questions about expectations that he plans to run for a seventh term as president in 1998. *Manuela Saragosa and agencies, Jakarta*

Cash boost for Bangkok bank

Thailand's troubled Bangkok Bank of Commerce, taken over by the government in May after piling up more than $3bn in doubtful loans, will receive a capital infusion of $1.6bn in a plan to save it from collapsing. Half will come from an issue of 2bn new shares and the rest from a five-year convertible debenture issue.

Private sector investors, led by the Tantipipatpong family who control a pineapple-canning empire, will provide a portion of the new capital. The Tantipipatpongs will end up with a 40 per cent stake in the bank, up from its current 15 per cent stake. The government, through its financial institutions rehabilitation fund, will also subscribe to the new shares and bonds and will control 40 per cent of the bank, up from 32 per cent. Other banks and private investors will control the rest. *Ted Bardacke, Bangkok*

New Zealand's 'kingmaker' rejects claims of a threat to stability

By Richard Adams in London and Terry Hall in Wellington

Mr Winston Peters, leader of the New Zealand First party and possible kingmaker after October's general election, yesterday rejected foreign investors' fears that his party's policies could threaten the country's economic stability.

Overseas markets have been demanding a premium to reflect political risk, as New Zealand faces a likely coalition government involving NZ First after the election.

The party's policies include rewriting the key Reserve Bank legislation which sets rigid inflation targets. Mr Peters' party favours widening the inflation band from a set 0-2 per cent to a flexible one set below that of New Zealand's leading trading partners. Earlier this month the Reserve Bank alarmed markets by announcing in its six-monthly report that the target would be breached.

Mr Peters, who was in London yesterday where he met City investors and brokers, dismissed their concerns as "good spin". "It's not a credible explanation on their part. Those same risk factors were built in before NZ First began rising in the polls."

Mr Peters said he was willing to consider a coalition with any of the other parties: "NZ First is the only consistent party that has said it is willing to talk to anyone, without preconditions."

The ruling National party government leads the latest polls with support of 36 per cent of voters, followed by NZ First with 27 per cent, the Labour party on 20 per cent, and the left-wing Alliance party on 11 per cent.

There is intense interest in whether Mr Peters can maintain this level of popular support following a series of public setbacks. He was ordered to pay NZ$50,000 (US$34,000) in damages on Wednesday in a defamation action brought by a businessman. Mr Peters has also been criticised in parliament by the head of New Zealand's serious fraud office, over comments made at the inquiry into the corporate use of the tax-free status of the Cook Islands.

At the same time, National's problem is that none of its natural allies register more than the 5 per cent threshold required to gain seats in parliament. Mr Jim Bolger, the National prime minister, will have to woo one of the other main parties to stay in power.

NZ First would make an unlikely partner. Mr Peters was a National MP and cabinet minister before he walked out in 1993 to form the populist NZ First, whose policies include a sharp cut in immigration.

The first serious coalition proposals have been made by National towards Labour, its traditional rival and main parliamentary opposition. Mr Bolger has openly suggested Labour join it in a coalition, but Ms Helen Clark, Labour leader, has robustly rejected these overtures.

Political observers say that if Labour backed National before the election it would lose votes from its traditional supporters. The suggestion of a coalition is thought to have sparked last month's failed leadership challenge from Mr Mike Moore, the former Labour prime minister.

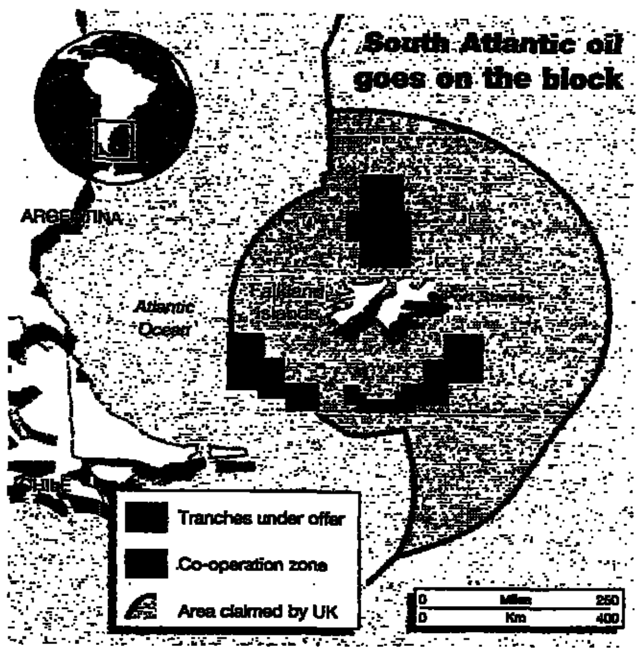
Ms Clarke's survival may have scuppered a Nat-Lab deal. Her deputy, Mr David Caygill, was a possible minister of health in a Nat-Lab cabinet, but he retired after being replaced by an ally of Mr Moore as deputy leader.

NEWS: THE AMERICAS

Hopes of UK-Argentine co-operation underlie consortia's licence applications

Six groups bid to seek Falklands oil

By Jimmy Burns in London and Matthew Doman in Buenos Aires



Six international consortia have bid for oil exploration licences in disputed waters off the British-owned Falkland Islands, on the apparent understanding that there will be future co-operation between neighbouring Argentina and the UK.

Those bidding include a consortium led by Lasmo; a joint venture involving British Gas and the Argentine oil company YPF; a partnership between the Dutch Shell Exploration BV and the Italian company Agip; the UK-based Amerada Hess; and Desire, a UK-registered company which has the former governor of the Falkland Islands, Sir Rex Hunt, as one of its main shareholders.

The bidding groups comprising 14 companies have applied for licences in 10 of the 19 geological tranches on offer – each *comprising a number* of blocks – over an area of 44,000 sq km north and south of the islands.

Mr Andrew Gurr, the chief executive of the Falkland Islands government, described the bids as an "encouraging response" to the oil licensing round officially launched in October last year.

However the oil industry yesterday remained cautious about oil prospects in the area and insisted that the bids had been made on the basis that Buenos Aires and London would agree to co-operate in future exploration.

Mr Andrew Crouch, general manager for corporate affairs at Lasmo, said last night: "This remains a high risk area which has generated quite a lot of interest. It is too early to talk of an oil bonanza. But the basis on which we are making our investment is that there will be an agreement between the UK and Argentina."

The bids will now be subject to analysis by the British Geological Survey in Edinburgh, which will advise the Falklands government of the feasibility of the proposals.

The government plans panel interviews with bidding consortia in London next month, and hopes to be in a position to award exploration licences before the end of the year.

The government's oil licensing administrator in London, Mr John Martin, said the government hoped bids would be awarded in time to permit exploration to begin in early 1997.

London and Buenos Aires have over the past year been trying to avoid letting the oil issue undermine the commercial and diplomatic relations which have been improving since the two countries went to war over the islands in 1982.

The Argentine government last year told oil companies they would have to pay a levy of up to 3 per cent of any oil revenues extracted from waters around the Malvinas, as Argentina calls the islands.

Nevertheless, Argentina and the UK subsequently reached an agreement on oil exploration co-operation, emphasising the economic benefits from oil that might be shared by both countries.

Under the agreement reached in New York, a joint Anglo-Argentina commission will supervise exploration and revenue-sharing in the so-called Co-operation zone. This is a an area south-west of the islands, covering waters that are partly indisputably Argentine, and partly claimed by the UK.

The Argentine government dropped an earlier threat to take legal action against oil companies in Falkland waters after considering the negative impact this might have on future foreign investment.

London and Buenos Aires have instead reached a tacit agreement enabling each country to collect royalties from oil exploration from disputed waters while officially denying the right of the other side to do so.

Argentina plans nuclear sell-off

David Pilling on a bill intended to secure funding for a new plant

Many third world countries have privatised their clapped-out telephone systems, ageing electricity grids or run-down sewerage works. But none has attempted what Argentina is about to do – hang a "for sale" sign above its nuclear industry.

Congressmen last month began to debate a controversial bill to privatise two working power stations and one unfinished plant, the core of Argentina's nuclear programme which was begun in the 1950s and on which the state has lavished billions of dollars.

But the state has run out of cash. The reason for the sale is to get the private sector to fork out the estimated \$600m-\$700m required to finish Atucha II, a 750MW plant that has since 1981 swallowed \$2bn of taxpayers' money, but has yet to produce a single therm of energy.

"This is not a privatisation *whose objective is to earn the* state a lot of money," says Mr Augustin Blanco, former president of Nucleoeléctrica Argentina, a body created to run the plants in the lead-up to privatisation. "The fundamental objective is to finish Atucha II."

In spite of opposition from environmentalists and some politicians, legislation required for the sale – bulldozed through committee stage in June – stands a fair chance of approval by the Peronist-dominated Congress.

The outcome of the privatisation itself is less clear.

Any private group that agreed to finish Atucha II, located 100km north of Buenos Aires, would also be given the operating concession for two working nuclear plants, the ageing Atucha I and the more modern Embalse. Cash flows from these two plants, which account for 14 per cent of Argentina's energy consumption, would theoretically pay for Atucha II's completion.

Private operators are believed to be interested in an operating concession for Embalse, an efficient Canadian-designed 648MW plant commissioned in 1984. But most *companies are more reticent* about operating the older Atucha I, a 340MW plant that has been churning out nuclear energy for two decades.

Atucha I, designed by Siemens of Germany to meet the government's requirements for a heavy-water plant fuelled by natural uranium, uses technology unknown outside Argentina. Furthermore, the facility requires a refit to prolong its life by another 15 years, at a cost estimated by the government at \$15m-\$20m, but at much more by several private-sector experts.

"The [Atucha] reactor technology is somewhat unknown, which will make the privatisation more difficult," comments an executive of a foreign nuclear group. Private companies are being asked to take on a "job lot" of three very different projects at varied stages of their useful life, he says. "I can understand a *potential operator being put off.*"

Argentina, however, has resisted pressure from potential bidders, including companies from Canada, the US, Britain, France and Spain, to offer the plants separately. Without the sweetener of Embalse, the Atucha plants could prove impossible to sell. "The two working plants will generate cash flow to finish Atucha II," says Mr Blanco. "That is the whole point of the privatisation."

> Since 1981, the unfinished Atucha II plant has swallowed \$2bn

Persuading a single consortium to take on three quite *separate projects is only* part of the battle. Argentina must also develop a formula that limits the private operator's liability for accidents, decommissioning and eventual disposal of fuel. The extent of such liabilities could be determined by environmental legislation passed 30 years from now.

The aborted first attempt to sell nuclear plants in the UK – the only other country to embark on nuclear privatisation – failed, says Mr Blanco, "because the government did not properly evaluate the risks being transferred to the private sector. The British experience *taught us to pay more attention* to this fundamental question."

Argentina's bill, drafted after receiving advice from Kleinwort Benson, First Boston and the local Banco General de Negocios, stipulates that the private operator take out insurance to cover nuclear accidents up to \$80m. Above this amount, the state would pay. The operator would also contribute to a fund over the life of the reactors which would be used by the state for their eventual decommissioning.

If future technology or *legislation made decommissioning* more expensive than envisaged, the state would pay the additional cost. The same mechanism would be used to finance disposal of high-level waste. In each case, a limited financial burden would be transferred to the private operator, but the state would maintain ultimate responsibility.

The difficulty with the solution, admits Mr Blanco, is "the more costs we unload on the private operator, the less we can expect to earn from the privatisation." Argentine legislators might find it hard to explain to a nationalistic public why Latin America's most sophisticated nuclear industry was being sold off for a pittance.

Objections to introducing the profit motive into such a controversial sector also run deep. "The nuclear industry can't be determined by supply and demand," says Mr Rafael Cambareri, a Radical deputy. "It's a very dangerous industry that, with just one mistake, can cost the lives of millions."

"It doesn't make any difference whether the state or a private operator is running the plants," argues Mr Blanco. "What guarantees safety is having an effective regulatory body."

The debate has been muddied further by articles in the privatisation bill which establish the legal framework for the creation of a dump for high-level nuclear waste. Claims by opposition politi*cians that the government* intends to establish a site in Gastre, in the Patagonian province of Chubut, sparked angry marches last month throughout the region. "We don't want Argentina turned into the world's nuclear rubbish heap," says Mr Cambareri, who represents Chubut in Congress.

The government shows signs of backing down on this point, but some officials say nuclear privatisation would be impossible if potential operators cannot be guaranteed a site for disposal of high-level waste. "Sooner or later the country is going to have to face up to this subject," says Mr Blanco.

Whether this and other objections will be enough to derail the privatisation is not yet clear. "No one can predict whether this sale will be successful or not," says Mr Blanco. "But there's a good chance we'll pull it off."

Suspected Mexican rebel leader held

By Leslie Crawford in Mexico City

The leader of a radical peasant organisation in Mexico has been arrested and charged with sedition in connection with the emergence of a new guerrilla group in the western state of Guerrero.

Mr Hilario Mesino Acosta, leader of the Southern Sierra *Peasant Organisation (OCSS)*, was jailed at a detention centre in Acapulco after being arrested outside his Mexico City home on Wednesday, his family said yesterday.

The state government of Guerrero confirmed Mr Mesino's arrest. Officials said they suspected his militant organisation was behind the self-styled Popular Revolutionary Army, which made its first public appearance at a small hamlet in the mountains north of Acapulco last Friday.

The OCSS and the leftwing Revolutionary Democratic party were holding a ceremony in memory of 17 peasants killed by police a year ago, when masked men and women, dressed in green fatigues and armed with AK-47 rifles, appeared, read a manifesto calling for the overthrow of the Mexican state, fired shots into the air, and disappeared into the hills again.

The debut of the alleged guerrillas has not upset Mexico's financial markets this week. The peso has remained stable, while trading on the stock market has been lacklustre.

Investors said they did not believe the new guerrillas posed a serious military threat. Their uniforms looked new and well-pressed – not the attire of insurgents who have slogged through in the jungle for months. They were carrying walkie-talkies and expensive weaponry, which are easily obtainable in Guerrero thanks to the presence of drug-traffickers.

According to anti-narcotics agents, Guerrero, and the adjoining states of Jalisco, Michoacan and Nayarit, form the hub of illegal drug production in Mexico.

Guerrero is thought to be Mexico's biggest producer of marijuana and the heroin poppy. Like most drug economies, Guerrero has been flooded with money and weapons, while the police and the army cannot be trusted by central government.

There is speculation that drug traffickers could be financing the armed group to divert the army's attention.

Tight race for Ecuador presidency

By Sarita Kendall

In an election which appears too close to call, Ecuadorians are to choose on Sunday between Mr Jaime Nebot, leader of the pro-market Social Christian party, and his populist rival, Mr Abdalá Bucaram.

Mr Nebot is holding a slim 4-7 point lead over Mr Bucaram in opinion polls ahead of the second-round run-off of the presidential election.

Mr Bucaram of the Roldosista party has been courting the poor, while Mr Nebot has *tried to soften his market-oriented*, authoritarian image with promises of housing and other social benefits.

Foreign investors, as well as a high proportion of Ecuadorean businessmen, are backing Mr Nebot in the expectation he will go ahead with economic liberalisation and privatisation programmes. Uncertainty about Mr Bucaram's economic policies was reflected in currency and bond trading last month.

After the first round of the election in May, narrowly won by Mr Nebot, Mr Bucaram forged ahead in the polls. But his belligerent outbursts and showmanship appear to have backfired and Mr Nebot has gained ground rapidly in the last three weeks.

Some 20 per cent of electors are still reported as undecided, but Mr Santiago Nieto of the polling group Informe Confidencial says he believes these votes will be distributed fairly evenly between the candidates, abstentions and void ballots.

The winning candidate takes over the presidency from Mr Sixto Durán Ballén on August 10 for a four-year term. No party has a majority in Congress and the next president's first task will be to build a political alliance to govern.

Nebot: ahead in polls

Miners block Brazil gold-digging

By Jonathan Wheatley in São Paulo

A dispute between wildcat miners and Companhia Vale do Rio Doce (CVRD), the Brazilian government-controlled mining giant, has stopped exploration at what is set to become Latin America's biggest gold mine, and at least one contractor is *preparing to* abandon the site.

Three hundred wildcat miners, known as *garimpeiros*, occupied the find at Serra Leste in the northern state of Pará on May 3. CVRD said yesterday the occupation had cost the company and its sub-contractors R\$5m (US\$5m) and one of 13 drillings would close next week when its operator, Geosol, *left the site*.

The occupation began after CVRD announced the discovery of deposits containing at least 150 tonnes of gold in February.

Garimpeiros who had previously worked nearby at Serra Pelada, an open mine famous *for* its lawlessness and scene of one of the century's biggest gold rushes in the 1980s, claimed rights to the find. They occupied the site and prevented CVRD and its contractors from drilling.

Equipment has been seized: 11 CVRD employees kidnapped last week were released after signing promises that the com*pany would cease operations*. The *garimpeiros*' demands include 30kg of gold for each of 22,700 former miners at Serra Pelada, or 681 tonnes.

"We have had many, many legal disputes with *garimpeiros* from Serra Pelada and CVRD has won them all," said Mr Luis Carlos Nepomuceno, general manager at the site. *Last* week a Pará state court ruled that the *garimpeiros* must leave and pay fines of R\$600,000. "Now we are waiting to see what moves the court will take to enforce its ruling," he said.

Mr Nepomuceno said the *garimpeiros* had blocked access *to the site and to a* shanty-town housing 6,000 people, many of them former miners at Serra Pelada.

Inhabitants had received death threats aimed at preventing from them taking jobs at the new mine.

"The climate is very tense," he said. "It is very difficult to negotiate because the *garimpeiros* have no leaders, they are very chaotic."

CVRD plans to invest US\$250m at Serra Leste before starting production in July 1999 at a rate of 15 tonnes a year.

THE SUMITOMO AFFAIR

Why Mr Copper chose British provincial team

Robert Thomson and Clay Harris talk for the first time to the men who Sumitomo turned to for discretion

CHARLIE VINCENT

Winchester's origins

- 1988-89: Levett leaves Drexel Burnham Lambert to work for David Threlkeld, a former client and copper trader.
- March 1991: Levett forms Winchester Commodities after quitting DLT Commodities in dispute with Threlkeld.
- 1991: Charlie Vincent, formerly a trader at Crédit Lyonnais Rouse and DLT, joins Levett at Winchester as co-owner.
- 1991-1995: Winchester handles bulk of Sumitomo trades - 40 to 50 per cent at times.
- June 1995: Levett resigns Winchester directorships and moves to Monaco.

ASHLEY LEVETT

Now resident in Monaco for tax reasons, Mr Ashley Levett and Mr Charlie Vincent are keen to portray themselves as good British corporate citizens. They say they have paid their taxes, personal and company, and been subject to "just about every regulatory authority".

Just about every regulatory authority in the world of commodities is now taking an active interest in the company they created, Winchester Commodities, and its role in the meteoric career of Yasuo Hamanaka, Mr Copper, dismissed for losing Sumitomo Corporation $1.8bn in unauthorised trades.

Riled by media suggestions that they are "playboy nobodies" who, inexplicably, came to handle almost 50 per cent of copper trades for the powerful House of Sumitomo, they want to explain how a commodity trader based in provincial England became a natural ally for the star copper trader in Tokyo.

"Why did Sumitomo and all these other companies trade with this tinpot company . . . it's this small company, blaaah," says Mr Levett, the irony lifting his voice an octave higher. The short history is that he was vice-president of the London metals broking arm of Drexel Burnham Lambert, the US house which went bankrupt in February 1990 after the collapse of the junk bond empire created by Michael Milken.

His speciality was trading copper futures, one of the first on the London Metal Exchange to do so "in volume". He left to join a broking company, DLT Commodities, established by Mr David Threlkeld, a former client but now an adversary.

Mr Threlkeld, now based in Vermont in the US, has been a rich source of information about Winchester in the days following the Sumitomo revelations last month. It appears the two men fell out over pay and the management of DLT, prompting Mr Levett to form Winchester, based in the British city of the same name.

Mr Levett's experiences had given him firm ideas about the desired shape of the new company. "First of all we decided that we needed lines of credit. The business was changing and we thought that we would then get a banking partner. In the aftermath of the tin crisis in 1985 there was very little capital spread around the LME. In terms of paid-up capital, I think the highest capitalised company on the LME at that time was about $20m, which was Rudolf Wolff."

> 'I think what he liked about us was that we'd make a price and he knew he could deal. Bang, he would deal...'

The way around this limit was to bring in Crédit Lyonnais Rouse, commodities arm of the the state-owned French bank. "We had Crédit Lyonnais [Rouse] there as, if you like, our banking partner and then we started in the business . . . we gave them the documentation on the companies and quite often they would meet clients with us. We'd send clients into their offices, they'd travel with us."

Another priority in putting together Winchester, he says, was to ensure that it would be difficult for competitors to know who was behind the orders, giving their clients the market advantage of anonymity. "The LME has quite a history of lack of confidentiality. Because of our market position, we were in a position where a client could enjoy a contractual obligation from a first class bank and have the ability through an off-market house to remain invisible. So when any client traded through us, the brokers couldn't see who was conducting the trade."

With the structure in place, Winchester began the courting of Sumitomo, which had used DLT Commodities, among other companies, for copper trades. The Crédit Lyonnais Rouse connection was crucial - Charlie Vincent had worked there as a market maker in 1988 and CLR had cleared deals for DLT, continuing to do so after Winchester was established.

"I joined in June/July 1991 and naturally one of my first business trips after that was to go to Tokyo to see Sumitomo Corporation to establish some trading lines with Crédit Lyonnais Rouse, which we did," Mr Vincent said.

The courtship began slowly. "This unique relationship - the introducing broker format - took some time for the Japanese culture to really digest and understand. We made clear Crédit Lyonnais Rouse are the principals of all Winchester's client base." Vincent was impressed by Mr Hamanaka, the trader now characterised by his former company as "devious" and accused of conducting unauthorised trades for a decade: "I played golf with him. My impressions were that he was a likeable person. He was quite westernised. Intelligent. Great sense of humour. He liked us because we treated him like an individual."

Mr Levett and Mr Vincent insist that they never received any requests for fictitious trades from Mr Hamanaka and are convinced that he is honest. They are also adamant that he was not a "rogue trader" and that Sumitomo executives were aware of the Hamanaka strategy - controlling much of the LME's physical copper stocks, around which he built a complex network of derivatives deals.

"Whenever I did a business trip to Tokyo and arranged a meeting with Sumitomo, I was instructed to meet on the third floor and taken around the trading desk and introduced to a lot of Japanese people, and then we'd go and sit down and have a meeting," Mr Vincent recalls.

But Mr Levett suggests that even Winchester was unaware of the extent of Sumitomo's exposure. He said Mr Hamanaka had "16 different (credit) lines around the market place" and estimates that Winchester was handling about 40 to 50 per cent of the Sumitomo trades.

"Typically [Mr Hamanaka] would come up and make a request. You knew that he had to match his physical book. He would come up and ask for certain options. We would quote him, make markets. I think what he liked about us was that we'd make a price and he knew he could deal. Bang, he would deal, and then we could venture out into the market-place."

> Mr Vincent says he wants do charitable works: 'There's a misunderstanding of who we are as people'

Chinese traders were apparently less sophisticated. Mr Vincent recalls visiting the Shanghai office of the state-owned China International Trust and Investment Corporation in the early 1990s, when they had "pieces of paper stacked up and four guys sitting there with a bunch of phones and pencils, trading options, selling options on the LME."

That same Shanghai office was blamed for losses of more than $40m in 1994, when the Beijing-based parent took control of its derivatives deals after realising that the traders had left the company exposed. The leading counter-party brokers in that case were Crédit Lyonnais Rouse, and two US investment banks, Lehman Brothers and Merrill Lynch.

"The Chinese were becoming very aggressive traders in the market, but not very successfully . . . they traded sophisticated markets with limited sophistication. These small trading companies appeared to put a trader in a position to trade in which he had no experience," Mr Levett says.

Mr Levett and Mr Vincent have entered the realm of new experience over the past month, when Winchester's role in everything from the Sumitomo affair and the colourful details of their alleged high living have become the stuff of sensational coverage. This, they admit, has been bad for business.

"Obviously the press hasn't been great for our business. We've had clients who have closed accounts with us," Levett said. He said that both remain active in the company, despite the distance of their domicile, and regularly discuss strategy with their staff.

Mr Vincent says he was taking a lower profile to spend more time with his family and do charitable works: "There's a huge misunderstanding of who we are as people."

Fund for Africa to be launched

By Canute James in Barbados

The Commonwealth is to launch a development fund for Africa in London next week with an initial $60m, to invest in companies which are being divested and expanded.

The fund has been organised by the Commonwealth Secretariat, and will be followed by others for the Caribbean and for India, Chief Emeka Anyaoku, the Commonwealth secretary general, said in Barbados yesterday.

Seed capital of $25m has been provided by the Commonwealth Development Corporation, a British organisation which provides development capital and investment finance for projects in several countries.

The CDC will manage the fund. The rest has been raised in Commonwealth countries including Singapore, Malaysia, Brunei, South Africa and Zimbabwe. More money for the fund will be raised on international financial markets.

The Africa fund, like the others which will follow, will be operated commercially, and is not regarded as aid to the African countries, officials of the Commonwealth Secretariat said yesterday.

The fund will be used for companies which are viable, and not to support ones which lose money. The fund will concentrate on small and medium-sized private sector businesses, and will make initial investments of between $2.5m and $3m.

The launch of the fund in London will coincide with the visit to Britain of President Nelson Mandela of South Africa, Chief Anyaoku said.

Anyaoku: more funds to follow

Anglo American fires 28,000 wildcat platinum strikers

By Roger Matthews in Johannesburg

All 28,000 underground workers at the world's largest platinum mine in South Africa have been sacked after defying a court order to return to work.

The final 7,000 miners were dismissed yesterday, following similar action against 21,000 men earlier in the week. Anglo American Platinum Corporation, which owns the Rustenburg mine 100 miles north of Johannesburg, said the total loss of output was costing it R13.5m ($3.1m) a day.

The strike, which started last week, is unofficial and has been condemned by both management and the National Union of Mineworkers. Mr Kgalema Motlanthe, general secretary of the NUM, said the strike was being led by non-unionised miners. "They are a self-elected group and are severely intimidating our members who wish to return to work," he said.

Management and the NUM also agree that the demands by the strikers are impossible to meet. These include the repayment of income tax deductions, the return of contributions to the death benefit scheme, and, most bizarrely, the full payment of death benefits to the entire workforce.

Management has said it would be willing to re-employ most of the strikers if they go back to work almost immediately. However attempts at negotiation, including the intervention of the ruling African National Congress, failed to make progress.

The dispute is believed to be causing growing concern to the government, which has put great emphasis on introducing sophisticated labour legislation designed to prevent wildcat strikes.

At the root of the problem appears to be an agreement by management two months ago to refund miners' contributions to their pension fund, following a five-day stoppage. A company spokesman said they had resisted the demands because refunds were not in the best long-term interests of the workers, but eventually acceded.

Representatives of the unofficial strike committee repeated yesterday there was no question of a return to work without a full payment "of what is rightly our money". If there is no softening of this stance, management is expected soon to begin ejecting the strikers from the hostels in which they live, in order to begin recruiting a new labour force.

Omens not good for troubled Burundi's 'African solution'

Michela Wrong holds out scant hope for an international mission to keep the peace between Tutsis and Hutus

Rwanda. Somalia. Liberia. The list of recent international security operations in Africa is not an inspiring one. Yet despite this catalogue of compromise, failure and retreat, another concerted attempt to bring peace to an African troublespot is being planned: this time in Burundi.

Given the complexity of the crisis in this tiny nation, where the conflict between the Tutsi-dominated army and Hutu-led rebels claims a thousand lives a month, many would argue that all the elements for another botched mission are in place.

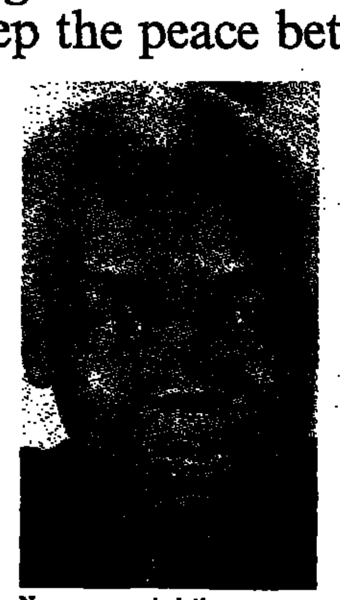
Nonetheless, the momentum behind the formation of an East African force to restore order in Burundi is looking formidable. Leaders attending the Organisation for African Unity summit in Cameroon on Monday will almost certainly be asked for their approval.

Details of what is being planned - how many men, under whose command, how big a budget, who will pay for what, when the force could go in and what precisely it would do - remain tantalisingly nebulous.

All that is known is that Tanzania, Uganda and Ethiopia - joined perhaps by a reluctant Kenya - are ready to send troops to protect politicians, civil servants and key installations in Burundi and help retrain the security forces, responsible for so many of the country's atrocities.

Dubbed "an African solution to an African problem" by US officials, the planned deployment is a measure of the west's growing indifference to Africa's problems.

Despite constant warnings of impending disaster from Mr Boutros Boutros Ghali, the west has shrunk from action in Burundi. The UN secretary general's call in February for



Nyerere: arm-twisting

25,000 troops to be placed on standby in various countries, ready for a humanitarian intervention, aroused little enthusiasm.

A report by the International Crisis Group, an American think-tank, showed why. It estimated such an operation would cost between $1bn and $2bn, require 1,000 to 3,000 crack troops, and need rules of engagement more aggressive than those used in Bosnia.

Scarred by their experiences of previous African missions, the US, France and Belgium have offered funding and logistical support, but not a single soldier. An African initiative, paid for and co-ordinated by the west, was all that remained.

Until recently Burundi's government had resolutely rejected outside interference. An apparent breakthrough came last month in Arusha, when Burundi's Hutu president and Tutsi prime minister together asked a regional summit for help.

Arm-twisting by Mr Julius Nyerere, the former Tanzanian president who has been chairing peace talks, seemed to have coincided with a growing realisation among the Tutsi elite that the army could no longer contain the situation.

"It became clear the donors were not going to look in the other direction if a new genocide took place in Burundi," said a diplomat. "That, in addition to the deteriorating security situation, compelled Prime Minister Antoine Nduwayo to change his position." Even with the blessing of the Tutsi community, the mission bristles with hazards.

The danger for any force going in to separate two adversaries is one of "mission creep" - the risk that, provoked by an extremist faction, peacekeepers end up taking sides and contributing to the problem rather than solving it.

It happened in Liberia, where a West African force found itself bombing towns in areas held by Mr Charles Taylor, the rebel leader, and again in Somalia, where American troops became obsessed with capturing Mr Farah Aideed, the Mogadishu warlord.

Burundi's main rebel group has already shown an unwillingness to co-operate. Suspicious of the planned involvement of Uganda, regarded as a friend of the Tutsis, the National Council for the Defence of Democracy says it would treat the peacekeepers as a hostile invasion force unless it was involved in negotiations.

More worryingly, the support of the Tutsi community is looking increasingly uncertain. The president and premier have backtracked vigorously since their return to Bujumbura and are now at odds over what had been agreed in Arusha.

Mr Nduwayo sold the deal to his constituency by insisting the African force would come under Burundian command. If, as seems probable, regional powers reject this condition, the army and Mr Nduwayo's Uprona party may well join extremists in denouncing the accord.

Planners would then be confronted with the old, hair-raising prospect: an intervention opposed by both the army and the rebels.

As leaders prepare for the OAU summit, another hazard is emerging. With a deployment viewed in Burundi as imminent, protagonists are under pressure. Factions are hurrying to consolidate their positions, and the likelihood of a coup has probably never been higher.

An army crackdown is already under way in the north-west Cibitoke province, a rebel stronghold. Since no aid organisations operate there, no one knows exactly what is happening. But the rush of 4,400 refugees to Rwanda and Zaire is a sign that, for the moment at least, the "African solution to an African problem" is exacerbating rather than easing tensions.

NEWS: UK

Imports' share of car market rises to 62%

By Haig Simonian, Motor Industry Correspondent

Imports continued last month to increase their big share of the British market for new cars. Their share rose to 62.2 per cent, and they captured 61.7 per cent of sales in the first half of this year.

The biggest gains were made by Volkswagen, which has seen its sales in Britain soar by 39 per cent this year thanks largely to improved supplies of the popular Polo compact hatchback.

Fiat also continued its strong product-led revival, while the group's Alfa Romeo subsidiary recorded one of its biggest improvements, albeit from a very low base.

Korean brands continued their incursion in to the UK market, with Daewoo raising its registrations by nearly 66 per cent and taking its market share for the month to almost 1.3 per cent.

Sales of luxury and executive cars manufactured outside Britain continued to advance, partly on the back of new models. BMW's sales surged by almost 73 per cent last month, lifted by strong demand for the new 5-Series. Demand for Mercedes-Benz also proved strong thanks to the new E Class range.

By contrast, Ford and General Motors saw their sales slip last month, while BMW's Rover offshoot, which yesterday announced the appointment of a new chief executive, suffered a very sharp fall in sales. Its market share fell below 10 per cent last month.

Mr Bernard Carey, Rover's head of corporate affairs, said the fall was regrettable, but argued that the company remained committed to its policy of focusing on margins rather than volume in its attempt to move upmarket. "We're not unduly worried by the decline in share at the moment", he said.

Total registrations of new cars from all manufacturers rose by 4.7 per cent year-on-year last month to 141,266. That pushed registrations for the first six months of 1996 to just over 1m. It was the first time since 1990 that more than 1m new cars had been registered in the first six months of a year.

Last month's figures, which continue a buoyant trend in this year's new car sales, prompted optimism among motor industry executives about prospects for the rest of 1996.

Mr Ernie Thompson, chief executive of the Society of Motor Manufacturers and Traders, said. "After a disappointing first quarter, we have now seen three months of consistent market growth . . . (that) suggests that a 2mmarket can be achieved this year."

Some manufacturers say advance orders indicate that August should be a very good month. Sales in August are always high because it marks the start of a new year prefix on licence plates. Mr Chris Willows, an official of BMW in the UK, said: "We are looking at an increase in orders of about 30 per cent year-on-year. We suspect August will be buoyant not just for us, but for luxury cars in general."

Ford and GM lose market share

REGISTRATIONS OF NEW CARS	May 1996 Volume	Change%	Share%	May '95 Share%
Total market	141,266	4.7	100	100
UK produced	53,357	-5.4	37.8	41.8
Imports	87,909	12.0	62.2	58.2
Japanese makes	18,782	14.2	13.3	12.2
Ford group	28,472	-4.8	20.2	22.2
– Ford	28,111	-4.3	19.9	21.8
– Jaguar	361	-31.0	0.3	0.4
General Motors	20,909	-6.2	14.8	16.3
– Vauxhall	19,888	-6.6	14.1	15.8
– Saab*	1,021	33.5	0.7	0.6
BMW group	17,521	-4.3	12.4	13.6
– BMW	3,610	72.7	2.6	1.6
– Rover**	13,911	-14.3	9.8	12.0
Peugeot group	15,599	6.8	11.0	10.8
– Peugeot	10,990	8.4	7.8	7.5
– Citroen	4,609	3.2	3.3	3.3
Volkswagen group	12,612	23.7	8.9	7.8
– Volkswagen	8,898	51.7	6.3	4.4
– Audi	1,976	-10.5	1.4	1.6
– SEAT	812	-0.6	0.6	0.6
– Skoda†	926	29.4	0.7	1.0
Renault	10,316	26.1	7.3	6.1
Nissan	7,481	9.1	5.3	5.1
Fiat group	7,269	27.2	5.1	4.2
– Fiat	6,694	22.8	4.7	4.1
– Alfa Romeo	575	124.6	0.4	0.2
Toyota	3,776	2.7	2.7	2.7
Honda	3,327	-11.8	2.4	2.2
Mercedes-Benz	2,148	19.1	1.5	1.3
Volvo	2,113	-29.2	1.5	2.2
Korean makes	3,519	44.6	2.5	1.8

*GM holds 50% of Saab Automobile and has management control. **Includes Range Rover/Discovery. †VW holds 31% of Skoda and has management control. Source: Society of Motor Manufacturers and Traders

Brittan rebukes Tories on court 'myths'

By Lionel Barber in Brussels

Sir Leon Brittan, the European Union's trade commissioner, yesterday warned the British government not to play politics with the European Court of Justice in the forthcoming general election.

Sir Leon, a cabinet minister in the Thatcher governments of the 1980s, accused Eurosceptics in the Conservative party of spreading myths to undermine the court in spite of its crucial role as an enforcer of the single market rules.

He told the party's moderate Bow Group at the House of Commons that the threat of court action was forcing the French government to let Sotheby's hold auctions in France and to recognise the qualifications of British skiing instructors. It had also forced Spain to stop blocking sales of British chewing gum, and Greece to let the UK sell lemonade in Greece.

"Britain must resist the temptation to call for the court's powers to be curbed just because a handful of high-profile cases have gone against it. Such a knee-jerk reaction would greatly damage the UK's long-term interest in building a European Union based on open markets, sound money and the rule of law," he said.

Sir Leon's speech coincided with an announcement in Brussels that the European Commission will take the UK to the court for failing to implement the EU Drinking Water Directive.

The UK is also expected to lose a hotly contested appeal against an EU directive introducing the 48-hour working week.

The government has singled out the court as a target for criticism as Euroscepticism in the Conservative party has grown.

In the Maastricht treaty review conference now under way, the UK wants to limit the court's retrospective application of judgments and restrict fines to instances where there is a "serious" breach.

Sir Leon appealed to his party to retain a sense of perspective. In 1994, the Commission made 89 referrals to the court for breaches of single market rules; only one case involved the UK.

Between 1990 and 1994, only six cases were referred to the court against the UK compared with an average of 30 for each other EU country. "There are countless cases of Britain using the court to challenge subsidies used by governments to bolster their industries at Britain's expense," he said.

The commissioner added that it was a myth to suggest that the European court was a persistent force for "Euro-centralisation". In 1992, the House of Lords asked the court to rule on whether Sunday trading violated EU law. "The court replied it was up to Britain to decide," he said.

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BSkyB's digital plans gain momentum

By Raymond Snoddy

British Sky Broadcasting has sent out confidential specifications for the production of up to 1m digital satellite television receivers in a strong signal that it will launch 200 UK channels next year.

BSkyB wants the decoders ready for the shops by September next year. The order would almost certainly be worth more than £250m ($390m) at factory prices.

The company, controlled by Mr Rupert Murdoch's News Corporation, may expand the service to as many as 500 channels in the longer term.

Apart from a large number of channels the service would feature near-video-on-demand, which devotes a large number of channels to a top movie so that there are many opportunities to view.

There are no plans to choose a number of "exclusive" manufacturers – anyone who meets the specifications will be able to manufacture. BSkyB wants the new digital boxes to retail for about £200.

The company is in talks with groups such as British Telecommunications and Barclays Bank to see whether the initial retail cost of the boxes can be subsidised in return for their involvement in the development of interactive services such as home shopping and home banking.

● Speaking to a forum of the UK digital TV group yesterday, Lord Inglewood, the broadcasting minister, told a forum of the UK digital TV group that Britain would be at the forefront of the digital television revolution.

"If digital is going to work anywhere in Europe it will be here," Lord Inglewood said.

British Energy valuation signalled

By Stefan Wagstyl, Industrial Editor

Fund managers yesterday made preliminary bids of 200 pence to 230 pence a share for stock in British Energy, the state-owned nuclear power company which is being floated on the stock market.

This would put a value of between £1.4bn ($2.18bn) and £1.6bn on the company, towards the bottom of the £1.26bn to £1.96bn range indicated in the sale prospectus launched last week by Mr Ian Lang, the trade and industry secretary. The price range emerged as BZW, the stockbroker managing the issue, started collecting offers from investors around the world.

BZW estimated that the offer for institutions was "fully subscribed" at a price within the 200p to 230p range. The remaining shares have been reserved for sale at a discount to UK retail investors.

The stock for institutions is being sold by a tender offer which opened yesterday and runs until next Friday. Bidders can amend or withdraw their bids before the close, but BZW is confident that yesterday's bids will stay in place, barring unforeseen stock market shocks. The broker said that early bids usually came from institutions which firmly intended to buy shares.

BZW also expects to sell the shares reserved for retail investors, who have until next Wednesday to apply for stock. Some 1.67m people have indicated their interest by registering at share shops, designated outlets for the stock. In the privatisation of Railtrack, about a third of the 1.88m investors who registered at share shops eventually submitted bids.

However, both retail and institutional investors have greater reservations about British Energy than about Railtrack and other recent privatisations. They are concerned about possible future declines in electricity prices, the potential effects of a change of government and the long-term costs of handling nuclear waste and decommissioning nuclear plants.

Regulator slams power companies on competition

By Simon Holberton in London

The regulator of the UK electricity industry yesterday accused regional supply companies of "special pleading" and deliberately delaying preparation for full competition in 1998.

Professor Stephen Littlechild, director general of Offer, the industry regulator, said 21m electricity consumers would want to know why the companies had failed to deliver competitive tariffs if the 1998 market opening was delayed or frustrated.

He disputed industry claims about the costs of introducing competition, and said a way forward for competition had been available for some time and that the industry should just "get on with it". Prof Littlechild was responding to criticisms by senior industry executives about the way competition was being introduced and its benefit to consumers.

Executives said they doubted whether the industry could meet the April 1998 deadline for the introduction of competition.

They were critical of the lack of central control over the process, Offer's alleged failure to take a lead, and whether competition would yield any real benefits to consumers given the very narrow margins which characterise the electricity supply business in the UK.

Prof Littlechild said, however, that competition held out the real possibility of lower electricity prices. He said consumers would be able to choose from a range of tariffs, and from a number of new providers.

He was sceptical about industry claims that the costs of introducing competition were high. Industry executives said it would cost about £300m ($468) – or about £15 per customer – to put in place the necessary computer systems to enable competition to work.

He said Offer estimated that it would cost companies about £1 a customer, or less than £30m in total, to put the necessary procedures and systems in place. "Pretty much everything is on the table," he said. "People can see what's needed to be done and they can do it. Any competent supplier should be able to do it. If not, consumers will want to know why."

Prof Littlechild also dismissed the claims by Recs that margins were so narrow that competition would bring only modest falls in prices at best.

Prices may not have as far to fall as domestic gas prices do, however. With greater competition in generation and the ending in 1998 of residual subsidies to the coal industry, there should be scope for electricity prices to fall.

He also said the regional electricity companies had more scope to reduce their own costs which should feed through to lower electricity prices.

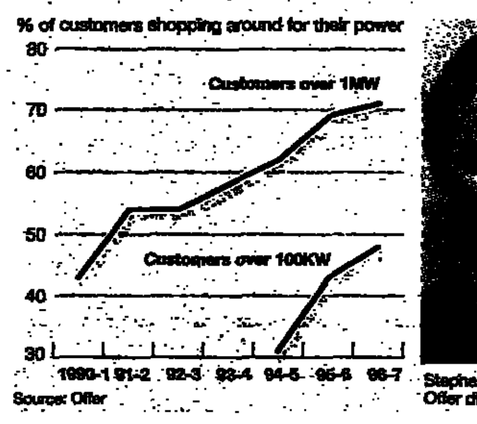
Separately, Safeway, Britain's third largest food retailer, said it was looking at offering its customers electricity supply. It currently has 4m holders of its loyalty card.

Safeway said one option would be to act as an agent to an electricity supplier. The latter would be allowed to set up kiosks in Safeway stores to access customers and process bills, and Safeway would take a commission on business done.

The alternative would be to supply electricity directly, a riskier move but one with the promise of higher margins. Safeway would have to buy a set amount of electricity from a generator, and hope it could then sell it on.

Competition in supply

% of customers shopping around for their power



Source: Offer

Stephen Littlechild: Offer director general

British Airways pilots soon to set date for strike

By Michael Skapinker, Aerospace Correspondent

British Airways pilots said yesterday that they would announce the starting date of their strike on Tuesday. As they are required by law to give BA seven days' notice, industrial action could begin on July 16.

The strike could ground the BA fleet at the height of the summer season. BA has said it hoped to avoid a strike but hinted that it would bring in outside pilots to ensure its services continued. The announcement from the British Airline Pilots' Association, a trade union, follows a 90 per cent ballot in favour of a strike by BA flight crew. Balpa says the strike is over the relatively low pay of some pilots at London's Gatwick airport and over inadequate pension provision.

BA said it was ready to have talks with Balpa. It had written to the union asking it to clarify the matters over which it differed with BA. "We can then get around the table and resolve the issues," the company said. "When we have talks is up to the union. But we believe a strike would serve no purpose."

BA said it believed Balpa should re-ballot its members as the company had added to its original offer since the strike vote had taken place. BA said it had offered short-haul pilots at Gatwick pay increases of between 8 per cent and 10 per cent. That was in addition to salary rises of 3.6 per cent this year and inflation plus 0.5 per cent next year being offered to all staff. BA said pilots had voted before the new offer was made, adding: "They have voted on the old offer; if the union wishes to proceed we believe it should hold a new ballot."

The additional rise for the Gatwick pilots would be conditional on an increase in flying hours from 645 hours a year to 710 hours.

The lower-paid pilots were originally employed by Dan-Air, the independent airline acquired by BA in 1992. BA said it had reached agreement with Balpa at the time that the Dan-Air pilots would continue to be paid less. This was because Dan-Air carried debt of £103m ($160.7m) and its future was not assured.

Balpa conceded it had reached the agreement with BA but added: "That was some years ago." It said the new offer of additional pay for Gatwick pilots was unacceptable because it involved a large increase in hours flown. "We've thrown it out as a complete sham," the union said.

The union said it had written to BA saying it knew what Balpa's position was. Balpa said: "We have told BA they are wasting our time. We want to get round the table if they come up with a reasonable offer."

UK NEWS DIGEST

Names launch suit in Virginia

LLOYD'S
LLOYD'S OF LONDON

Lloyd's of London faced a fresh legal headache in the US yesterday as Names from Georgia, Illinois and other states sought an injunction in a Virginia court to block the insurance market's recovery plan in the state.

In the UK, however, Lloyd's received further endorsements for the plan, which includes a £3.1bn ($4.83bn) settlement offer to Names, individuals whose assets have traditionally supported Lloyd's.

The Association of Lloyd's Members announced it was recommending the plan. Sir David Berriman, association chairman, said it would "secure many of the objectives and concessions Names have sought". But he warned Names' "action groups" against rewarding large bonuses to their leaders.

● Mr John Charman, deputy chairman of Lloyd's, has agreed to maintain his personal unlimited liability commitment to syndicate 488 on which he is underwriter. The move follows a row over the future of unlimited liability investment at Lloyd's. Mr Charman said he had been the victim of "gutter politics". *Ralph Atkins, Insurance Correspondent*

IRA 'safe house' discovered

German police were yesterday investigating a "safe house" used by five IRA terrorists who planned the attack on the Quebec barracks in Osnabruck, Germany, last week. Three men and two women stayed in the holiday home in a village near Oldenburg from June 15, two weeks before the attack, according to a statement from the federal prosecutor.

Police found a map of Osnabruck and sketches of streets and barracks in the house, which was discovered four days ago. Police were also examining a Ford Transit flat-bed lorry, linked to the attack, which was found at a motorway service station at Wildeshausen, near Oldenburg. The vehicle, which carried the false British number plate F291 TVN, travelled with the lorry used in the attack from Cork, Ireland, to Le Havre, France, on June 23.

Police investigations are concentrating on identifying the five people who stayed at the house. They are also searching for a blue Ford Orion with Northern Ireland number plates including the letters DBZ, which was used by the terrorists. The car was spotted together with the van used in the attack near the barracks half an hour before the blast. *PA News*

BT and Microsoft strengthen link

Collaboration between British Telecommunications, the UK's dominant telecoms operator, and Microsoft, the world's largest software house, strengthened yesterday with the announcement that the two companies intend jointly to market networking and on-line services to small businesses.

Two years ago BT won a multi-million pound contract from Microsoft to develop a data network in Europe and the Asia/Pacific region to distribute the US company's online information service. The new initiative will involve BT's direct sales channels and a group of Microsoft's approved dealers. The two companies argue that the combination of their networking and software expertise together with with the systems skills of the dealers will provide smaller businesses with a single point of contact for all their communications needs. *Alan Cane, London*

Signs of art market recovery

The long-awaited recovery in the London art market has triumphantly arrived, with a series of sales this week which have exceeded all expectations.

On Wednesday night Christie's sold works of art sent for sale by the Marquess of Bute for £10.7m ($16.69m) – well above the £6m pre-sale estimate. At Sotheby's yesterday a collection of European sculpture and works of art brought in £13.7m, with two lots selling for more than £4m.

Both sales contained high-quality antiques which appealed to serious collectors throughout the world. However, the demand for works of lesser quality was still weak.

The main beneficiaries from this week's auctions are the members of the British Rail Pension Fund. In 1974 the fund invested £40m in works of art. On Wednesday it sold 30 old master pictures for £5.6m at Sotheby's, including a Goya bull-fighting scene which fetched £2.6m. A carved gilt bronze base of a Romanesque candlestick of the early 12th century sold for £4.4m; the pension fund bought the carving for £605,000 in 1978. *Antony Thorncroft, London*

First for female ambassador

The Foreign Office yesterday announced the appointment of Miss Maeve Fort, the current UK envoy to Beirut, to head Britain's embassy in South Africa. Miss Fort, a career diplomat who has spent 33 of her 55 years at the Foreign Office, will become much the most senior woman to have been sent abroad as a British ambassador. Miss Fort has served previously in the West African department of the Foreign Office, and as ambassador until 1992 to Mozambique.

Her promotion will go some way towards correcting a perception of male domination which has been a source of embarrassment to the Foreign Office.

Only seven of Britain's ambassadors are women, but Foreign Office officials stressed that the number of female heads of mission has risen to eight from only three in 1994. The preponderance of males in the upper ranks of the Foreign Office is in part a legacy of a policy that was applied until the early 1970s, under which women diplomats who married were expected to resign. *Bruce Clark, London*

Travel groups clash

Thomson Travel Group, the UK's largest holiday group, yesterday attacked the country's smaller holiday companies for making "spurious claims" that the big operators mislead consumers. The attack comes just days before an Office of Fair Trading Report on the package travel industry is due to be released.

The Association of Independent Tour Operators, which represents the smaller companies, argues that independent travel agents are more likely to give unbiased travel advice than the multiple travel agency chains which are linked to the larger tour operators. Aito has also attacked the larger travel agents for making holiday discounts conditional on compulsory insurance. *Scheherazade Daneshkhu, London*

Parties trade insults as campaign opens

By John Kampfner and Michael Cassell

The protracted general election campaign began in earnest yesterday as Mr Tony Blair, leader of the opposition Labour party, unveiled its pledges for a first term of office. He began with a vow to cut taxes and keep public spending in check.

The Road to the Manifesto, Mr Blair's personal blueprint, commits his party to radical constitutional change, tough law-and-order measures and a limited redistribution of priorities in health and education.

It is far removed from the party's manifesto at the last general election in 1992, which called for an increase in the top of rate of tax, an across-the-board increase in state pensions and removal of the ceiling on National Insurance contributions. With his shadow cabinet in attendance at the carefully crafted launch, Mr Blair said: "We have changed for good. We are not a tax-and-spend party. We are a party about investing in our future."

The Conservatives, whose attempt to parody the document backfired earlier in the week, said two of Labour's more original pledges – a windfall tax on privatised utilities to pay for youth training and diverting funds for private schools into the nursery sector – were economically unsustainable.

Mr Gordon Brown, Labour's shadow chancellor of the exchequer, accused Mr Kenneth Clarke, the chancellor, of "descending from misrepresentation to downright deception". Mr John Major, the prime minister, served notice that the Tories would increase attacks on Labour's plans to raise up to £3bn ($4.68bn) out of the profits of gas, electricity and water companies.

Labour's plans included "taxes on Scotland, taxes on people with children aged between 16 and 18, taxes for living in London, taxes on jobs with the social chapter and the minimum wage", the prime minister told the House of Commons. "No wonder we talk of new dangers".

Tory strategists said senior ministers would embark in coming days on a co-ordinated media campaign in an attempt to pierce Mr Blair's slick operation.

Both main parties are sending credit card sized *aide-memoires* to hundreds of thousands of voters in key marginals. The Labour card stipulated the five specific pledges which Mr Blair said he wanted to undertake as soon as he took office. The five are:

● Cutting school class sizes to fewer than 30 children for the age group 5-7.
● Fast-track punishment for persistent young offenders, halving time from arrest to sentencing.
● Treating an extra 100,000 patients in the state health service by cutting £100m ($156m) on red tape.
● Removing 250,000 people aged under 25 from state benefits benefit and into work through a windfall levy on privatised utilities.
● Tough rules for spending and borrowing, low inflation and low interest rates.

RECRUITMENT

JOBS: US employment may be rising but not everyone is cheering, says **Robert Taylor**

Downsized ghost at labour market party

The flexible and deregulated US labour market model has both admirers and critics around the world. The enthusiasts point to its undoubted ability as the generator of millions of new jobs by contrast to the employment stagnation experienced in much of the European Union during the 1990s. On the other hand, its critics argue many of those new work opportunities are in insecure, low paid and unskilled jobs with no long-term future.

But the current debate about jobs in America is arousing a strong division of views inside the country itself. Mr Joe Stiglitz, chairman of President Clinton's Council of Economic Advisers, provoked sceptical surprise among European governments at this spring's jobs summit conference of the main industrialised nations with his bullish presentation of a US revival in quality employment.

His report, *Job Creation and Employment Opportunities: The US Labor Market 1993-1996*, seemed to disarm the critics. According to his data, drawn mainly from the Bureau of Labour Statistics, 68 per cent of new jobs in the past two years were found to pay above the national median and most were full-time rather than part-time, required higher educational qualifications and were in medium-sized private enterprises. Mr Stiglitz has won support for his findings from American employers. The Manufacturing Institute, a research arm of the National Association of Manufacturers, argues that 8.4m new jobs have been created in the US over the past two years, with a rise in the average compensation (wages and benefits) for the rapidly growing workforce.

"Other industrialised countries in recent decades have done one or the other; none, aside from the United States, can claim to have done both", it says in a report, *Improving The Economic Condition of The American Worker*. "Over the past quarter century the American economy has produced an economic miracle of job creation with more than 40m net new jobs that is the envy of the industrial world while confronting an unprecedented global competitive challenge".

The business-funded Committee for Economic Development in its recent study *American Workers and Economic Change* also confirms that buoyant picture. While conceding a slowdown in job growth in industries with high average wages, it argues that trend masked "the occupational upgrading within most industries" and employment expansion, which had been "quite strong in high-skill and high-wage occupations", with 46 per cent of net new jobs between 1983 and 1993 coming in managerial, professional or technical occupations.

At first sight, such data appears to cast doubt over the fashionable view that the US labour market is insecure and harsh and suffering from what Professor David Gordon called "the corporate squeeze of working Americans" in a new book *Fat and Mean*. The more positive picture may have brought much-needed relief to sensitive employers concerned about their bad media image, with such hostile coverage as Newsweek magazine's influential spring cover story on "corporate killers" and the New York Times series on the "downsizing of America", just republished as a book.

They can also draw some comfort from other trends in the labour market. "The few large lay-off announcements which reinforce the sense of worker insecurity are more than offset by job creation," points out the Manufacturing Institute. For example, AT&T, the telecommunications group, may have announced 40,000 job losses last winter. But over the past two years alone, telecommunications created 100,000 new jobs in the US, and it has been estimated the industry's further deregulation may generate 3.4m extra jobs over the next decade or so.

Moreover, the institute also points out "the future may be on the side of the worker". "The baby-boom generation, whose sheer size has served to dampen wages, has already been absorbed by the economy", it argues. "The generation now entering the workforce is roughly one-third smaller". As a result, shortages of certain types of skilled work, especially in the computer industry, are already apparent and this has "pushed wages to impressive heights".

Like Mr Stiglitz, the institute points out that "technical workers" have "witnessed the most explosive job growth". By 2000, they will represent 20 per cent of the entire US labour force and are already the largest broad occupational category.

It also questions sweeping talk about the elimination of high-paying blue-collar manufacturing employment. While 2.6m jobs appear to have disappeared from that category, 1.5m new jobs have been created in other sectors resulting from new manufacturing. Also, many support jobs, which when done directly by manufacturers were classified as manufacturing, have been outsourced and are now described as service jobs.

But even the employer research bodies admit all is not well in the US labour market. The Manufacturing Institute, for example, accepts nearly three quarters of all households have had "a close encounter" with lay-offs since 1980, while downsizing has spread from manufacturing workers to highly paid professionals who often make less in their new jobs than their old ones.

The Committee for Economic Development also acknowledges: "Job dislocation has grown as premier firms have undertaken widely publicised downsizings. Workers' average real earnings have risen little during the last two decades, economic rewards are less equally distributed, the proportion of workers covered by employer health plans is falling and fewer of the unemployed are supported by the safety net of unemployment insurance." Keen to deny the picture of an uncaring and lean corporate attitude to workers, employer organisations are urging their members to adopt an enlightened approach. The Manufacturing Institute has called for a new employment contract between companies and workers, where, in exchange for "working hard to help the firm achieve success today, the employer promises to help the employee develop skills that will enhance prospects for personal advancement tomorrow".

The Committee for Economic Development agrees. "Human capital development will be fully realised only if individuals assume greater responsibility for their own career development and have the opportunities to acquire marketable skills," it argues.

None of this has done much to convince economists in the US trade unions, who take a much bleaker view of the labour market than Mr Stiglitz and the employer research bodies. The AFL-CIO union federation points to the growing income gap between rich and poor revealed in official statistics, with a 13 per cent drop in real weekly earnings for non-supervisory and production workers between 1979 and 1995 despite a 21 per cent improvement in worker productivity over the same period.

It also casts doubt on the validity of the data used by the Council for Economic Advisers, pointing to the great variety of jobs contained in occupational categories. Managers include not only senior executives with million dollar salaries who have seen their pay grow spectacularly, but also assistant managers in retail establishments with modest incomes that have stagnated. "A rise in earnings of top income earners within an occupation and a drop in the incomes of the lowest paid does not necessarily show in the median incomes figures", argues the AFL-CIO.

Its own findings for the first quarter of this year may go some way to confirm Mr Stiglitz's analysis. Jobs paying above the median income accounted for 62 per cent of new ones created in that period, but only 9 per cent of them were in occupations with a real income gain. The AFL-CIO found only three out of the 15 occupational categories enjoyed both job gains and real income gains and this covered only 345,000 out of the 4.1m jobs created.

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FINANCIAL TIMES
COMPANIES & MARKETS
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Friday July 5 1996

IN BRIEF

Stena sees rise in Dover-Calais route

Stena Line, the Swedish ferry operator, said the market for passenger cars on the hotly contested Dover-Calais route grew 14 per cent in the first half of the year – but expressed disappointment over its own volume increases. Stena, one of several ferry companies battling Eurotunnel on the route, said the rate of growth in total traffic was lower than the 20 per cent rates of 1995 and 1994. Page 22

Escom founder ponders PC losses

Mr Manfred Schmitt (left), the founder of Escom, Germany's once high-flying personal computer manufacturer and retailer, has built up his business selling cut-price PCs for the home market since 1986. Now Escom has become the latest victim of the fiercely competitive European PC market and was forced to seek protection from its creditors earlier this week. The company's plight must come as a particularly bitter blow to Mr Schmitt, who developed his entrepreneurial skills in the early 1980s selling electronic keyboards. Page 22

Gencor sells its stake in Malbak for R1bn

Gencor, the South African metals and mining group, has sold its largest non-mining investment, a 15.3 per cent stake in the consumer group Malbak, for more than R1bn ($231m). The stake has been acquired by a consortium led by Sankorp, the industrial holding company of insurance conglomerate Sanlam. Page 24

Philippine Airlines ready for relaunch

Philippine Airlines (PAL), the partially privatised national airline, has lurched from bad to worse over the past three years, posting three consecutive years of heavy losses. The airline's top executives, however, believe that PAL is about to turn the corner. Page 24

CRH buys Allied Building for $121m

CRH, the Dublin-based building materials group, announced a further expansion of its US business with the $121m purchase of Allied Building Products, the country's third-largest roofing, cladding and insulation supplier. Spending on US acquisitions by CRH this year is approaching $250m. The annual turnover of all its US businesses is expected to total more than $1.5bn in a full year. Page 25

Paris starts wheat futures trading

Matif, the French financial futures market, launches trading in wheat futures today from the Bourse de Commerce in Paris. From 10.30am the market will host daily trading in the product – an activity that only became legal under French law last month. Page 28

Eastern Europe welcomes Yeltsin poll win

Eastern Europe's emerging equity markets marched smartly higher in response to Mr Boris Yeltsin's clear victory in Wednesday's presidential election in Russia. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				**Falls**			
Rises				Accor	706	–	8
Hamburg El	420	+	8	Docks de Fr	1215	–	17
PWA	199.9	+	2.9	Legrand	893	–	12
Falls				**TOKYO (Yen)**			
Altana	1154	–	31	**Rises**			
Deut Babcock	70	–	13.5	Asdo Const	614	+	17
Karstadt	590	–	8.5	Brother Ind	897	+	19
Mannheim Vers	555	–	10	CSK	3230	+	50
LONDON (Pence)				**Falls**			
Rises				Nagasakiya	910	–	34
Ensemix	48	+	13	Nippon Signal	1380	–	30
Ferrum	8¾	+	3¼	Pioneer	2520	–	70
Merrydown	138	+	7	**HONG KONG (HK$)**			
Wimpey (G.)	153	+	5	**Rises**			
Falls				China Res	6.00	+	0.88
Borland	475	–	50	Gold Peak	5.00	+	0.875
OGC Int.	135	–	87				
TORONTO (C$)				Guoco Hld	7.20	+	0.35
Rises				**Falls**			
Arequipa Res	19.75	+	2.45	Assan Res	1.94	–	0.11
Loewen Wld	15.00	+	1.00	Hang Hing Prt	2.05	–	0.15
Maty Mt Gold	6.15	+	0.65	Zhenhai Refin	2.10	–	0.10
Petersburg Lg	11.00	+	0.75	**BANGKOK (Baht)**			
Falls				**Rises**			
[illegible]	8.00	–	1.05	[illegible]	54.00	+	4.00
[illegible]	16.25	–	1.10	[illegible]	36.25	+	3.00
PARIS (FFr)				[illegible]	74.50	+	6.50
Rises				[illegible]	41.50	+	5.50
[illegible]	377.3	+	2.7	**Falls**			
[illegible]	215.5	+	8.2	[illegible]	26.25	–	3.00
[illegible]	760	+	14	[illegible]	26.25	–	4.25

Toronto prices at 12.30. New York closed.

De Benedetti eases grip on Olivetti

By Andrew Hill in Milan

Mr Carlo De Benedetti yesterday gave up day-to-day executive duties at Olivetti as part of a reshuffle of the board which he claimed would open "a new phase" for the troubled Italian computer group.

Mr De Benedetti, whose family controls Olivetti through Cir, a quoted holding company, has dropped the title of chief executive and will remain chairman responsible for "strategies and alliances".

Olivetti's board yesterday appointed Mr Francesco Caio, 38, as sole chief executive. Mr Caio, currently chief executive of Omnitel Pronto Italia, the mobile phone company in which Olivetti is the largest shareholder, replaces Mr Corrado Passera, who is leaving Olivetti to run Banco Ambrosiano Veneto, the quoted banking group.

As part of Olivetti's effort to rejuvenate senior management, two of Olivetti's three deputy chairmen – Mr Elserino Piol and Mr Angelo Fornasari – will leave the company. Mr Piol, 64, has worked for Olivetti for 40 years and was considered the technological brains of the group, while Mr Fornasari, 60, is in charge of the budget and analysis department.

Trading in Olivetti's shares closed before yesterday's announcement. The share price reacted badly to the news of Mr Passera's departure last week, but has recovered slightly on hopes that a reshuffle could aid the relaunch of the company as a profitable information technology and telecommunications group.

Olivetti denied yesterday that Mr De Benedetti had bowed to pressure to separate the roles of chairman and chief executive. The group said Mr De Benedetti "was responsible for perceiving the potential of cellular telephony, transforming that potential into a business operation and appointing the young and dynamic Francesco Caio to the top executive post at Omnitel".

That led some analysts to doubt whether the changes would go as deep as Mr De Benedetti claimed. "The fact that [Caio] is sole chief executive is going to make his life slightly easier than Passera's was, but I don't think this means that De Benedetti is stepping down in a way which makes Olivetti's future less dependent on his judgment," said one.

One of Mr Caio's first tasks will be to confront unions, which have called for talks with the government on the future of Olivetti.

Mr Bernhard Auer, a former Digital Equipment executive who joined Olivetti last year, was confirmed as the new chief executive of the personal computers subsidiary, which the group said had broken even in the second quarter. Mr Giorgio Garuzzo, who joined Olivetti from Fiat earlier this year, is the only remaining deputy chairman.

Escom, Page 22

BMW's motorcycle chief to head Rover

By Haig Simonian, Motor Industry Correspondent

BMW, the German luxury carmaker, yesterday ended weeks of speculation by appointing one of its senior staff chief executive of Rover, its UK subsidiary.

The choice of Mr Walter Hasselkus, who has been running BMW's motorcycle division since 1993, represents a further tightening by BMW of its grip on Rover, which it bought in 1994.

The appointment of a BMW insider suggests BMW failed to find a UK manager of the calibre it sought to succeed Mr John Towers, who stepped down at the beginning of June.

When Mr Towers' departure was announced in April, BMW said its ideal candidate was a Briton in his early 40s with a strong industrial background and an international outlook who could remain with Rover for a decade or more.

Although the choice of Mr Hasselkus suggests BMW failed in its immediate objective, it may also represent a redefinition of its ideal candidate. Although apparently an unlikely choice in view of his immediate experience in motorcycles and his age of 54, Mr Hasselkus could represent an elegant solution to the Rover succession.

In many ways, he fits BMW's bill. Mr Hasselkus's motor industry background includes manufacturing and marketing, having run the group's big South African operation in the 1980s.

More important, he is familiar with the UK, having headed BMW's UK sales and marketing subsidiary between 1980 and 1984.

"He's more than just a safe pair of hands," said a former colleague at BMW in the UK. "He has sales at heart, but also knows manufacturing and has the personal skills required."

Mr Hasselkus's main task will be to improve Rover's commercial performance now its model range has become more competitive. Although Rover claims no longer to be preoccupied with its UK sales, in favour of broader international registrations, its domestic market share has fallen sharply, dropping below 10 per cent last month.

As a main board member of BMW, Mr Hasselkus should also be an effective spokesman for Rover. He is believed to enjoy a good rapport with Mr Bernd Pischetsrieder, BMW's chief executive, with whom he worked in South Africa.

Imports' share of car market rises to 62%, Page 8

Restructure gives CSFB $8.5bn in equity capital, writes Nicholas Denton

Achieving critical mass

Credit Suisse First Boston can finally look Morgan Stanley in the eye across Cabot Square in London's Canary Wharf, where both investment banks have their European headquarters. The shake-up of its Swiss owner, CS Holding, announced this week will propel CSFB past its neighbour and most other rivals in terms of sheer size.

The new CSFB, bolstered by the corporate banking business of Credit Suisse and the derivatives business of Credit Suisse Financial Products, will have $8.5bn in equity capital to Morgan Stanley's $5.2bn. "This propels us right to the top of the league table," says Mr David Mulford, CSFB head of Europe.

That will address one of problems from which CSFB has been suffering – the image that its equity base, until now just $1.8bn, was too small to compete in a consolidating industry.

"We are way larger than some of our competitors, but until now we have been disaggregated, and therefore not treated with the same respect," says Mr Ian Molson, co-head of investment banking in Europe.

But it remains an open question whether the latest reorganisation will prove more successful than previous ones in tackling the severe cultural problems which have dogged the bank's attempts to create a coherent global institution.

At the very least, the reorganisation should improve CSFB's financial performance, where it has lagged behind its peer group in return on equity.

First, the elimination of overlap in functions such as foreign exchange trading and coverage of companies is expected to save more than $100m a year. Mr Allen Wheat, CSFB's chief operating officer, forecasts that between 1,000 and 1,500 jobs will go out of a combined staff of 12,200.

Secondly, these cost savings and the greater stability of earnings in a larger and more diversified institution will give CSFB the resources for expansion. Mr Wheat plans to expand primarily in equities, in investment banking to technology and media companies and in the Asia-Pacific region, where Credit Suisse has an extensive network.

Thirdly, CSFB says the fusion of corporate and investment banking will enhance revenues.

Lydie van der Meer

David Mulford: shake-up at the banking group 'propels us right to the top of the league table'

Already co-operation has proved productive. For example, CSFB has offered loans from Credit Suisse to media companies it advises on acquisitions. After integration with Credit Suisse, CSFB will make the "coverage officers" – who maintain contact with clients – responsible for selling the business's whole range of products, from straightforward loans to mergers and acquisitions advice.

This should encourage cross-selling, through which one department sells a product to another's client. Common coverage officers should also provide co-ordination between departments, which clients surveyed by CS in Germany said was lacking.

This is the planned future. But CSFB's history, while providing the basis for the enlarged institution's culture, could hold it back.

CSFB has long had a federal structure, with its New York and London operations operating semi-autonomously from each other and from Zurich. Mr Wheat accepts: "If they had tried this three years ago, it would have been a disaster." Even now, the tensions between different parts of the organisation are reflected in there being some confusion over the location of CSFB's true base and management.

Mr Rainer Gut, chairman of CS Holding, says London will be a focus, but other executives say the "centre of gravity" remains in New York, and that formally the unit is based with its parent in Zurich. Top CSFB executives are spread through all three.

CSFB proved a volatile mix even before the addition of Swiss commercial bankers. The investment bank recently lost two heads of fixed income, and other bond executives, within a month after a row about bonuses. Mr Wheat, while he holds that the new CSFB will be an "awfully attractive" place to work, accepts that the combination will result in some departures.

CSFB executives, who say the federation of independent businesses became unmanageable, hope an integrated pay scheme will encourage staff to work more effectively with people in other departments. However, there is potential for discontent if more profitable teams in businesses such as derivatives or bonds have to subsidise departments which are being built up.

Whatever the difficulties ahead, CSFB had little choice, Mr Wheat believes. "SBC Warburg, Deutsche Bank, and JP Morgan are all using their strength and their muscle. We were sitting there with just $1.8bn of capital trying to compete with them. You either shrink or you really have to grow."

Boardroom tensions, Page 22

The new Credit Suisse First Boston

	New CSFB (Est.)	JP Morgan	SBC Warburg	Morgan Stanley	Salomon
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.1
Long term capital* ($bn)	12.8	14.0	n/a	7.4	15.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.5
Assets ($bn)	270.7	184.9	n/a	143.8	188.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Return on equity (%)	13.9	12.4	14.1	16.2	11.0

* Equity & subordinated debt † 10 months ended 11/95 annualised Source: Company

Unions reject Air France merger

By David Owen in Paris

The scene was last night set for a showdown between trade unions and Air France management after unions representing staff of Air France Europe, the state-controlled airline's domestic partner, rejected plans for an out-and-out merger.

The reaction of unions representing Air France workers was less hostile, with some backing the plan. This calls for the merged airline to be set up in spring 1997 – about the time liberalisation of European air travel is due to be further entrenched. Based on 1995-96 figures it would create a company with turnover of about FFr50bn ($9.6bn) and some 47,000 employees.

The inter-union group of Air France Europe last night denounced what it called "the merger process announced by Mr Christian Blanc [Air France chairman] in collaboration with the government". It rejected "this new management diktat" and demanded talks on how to maintain two separate companies, their areas of activity and Air France Europe jobs.

The statement was signed by 11 of the company's 14 trade unions. These have twice flexed their muscles in recent days, calling 24-hour strikes which in one case prompted the cancellation of all Air France Europe's flights. A violent strike in 1993 forced the resignation of Mr Bernard Attali, Mr Blanc's predecessor.

Talks on the merger plan are expected to start next week. Mr Blanc said yesterday the new company would comprise two divisions, one handling short and medium-haul flights and the other long-haul. The units would retain "strong identities". In particular, he wanted to avoid losing the "short-haul savoir-faire" of Air France Europe, the former Air Inter.

Questioned about consequences for jobs, Mr Blanc said the 950 voluntary departures from Air France Europe already announced should cover the overlaps that were likely to occur in the next two years.

Yesterday's announcement followed the scrapping of plans to merge Air France Europe with the European operations of Air France. This was dropped after the passing of a June 30 deadline for domestic pilots to agree a new remuneration package.

Piloting French civil aviation into new era, Page 22

Costain rescue refinancing may give Malaysian group 40%

By Andrew Taylor in London and James Kynge in Kuala Lumpur

Costain yesterday unveiled a rescue refinancing which could leave Intria Berhad, a Malaysian construction and investment group, with a 40 per cent stake in the ailing UK construction company.

The Malaysian company is underwriting a large part of a £78.6m ($115m) open offer to Costain's existing shareholders, many of which are are unlikely to take up their rights.

A syndicate of 10 British and four US banks, which are also underwriting the issue, could be left with another 35 per cent of the enlarged capital as part of a debt for equity swap.

The size of the banks' stake will depend on the response of existing shareholders, who are being offered three new shares at 50p for every one already owned. Shareholders will be asked to approve the issue – a simple majority is required – at an extraordinary meeting on July 22.

Mr Alan Lovell, Costain chief executive, said the company's two largest shareholders, Kharafi, a Kuwaiti construction company, and Raymond International of Saudi Arabia, each with a stake of about 19 per cent, had so far "not felt able to support the proposals".

He warned shareholders that the share issue was "presently the only available means to secure essential support from the banks".

At the beginning of June the company had net debt of £106m and shareholders funds of minus £29.9m following years of accumulated losses.

Costain also annouriced pre-tax losses of £131.2m for 1995, of which £37.8m reflected trading losses and £93.4m exceptional losses, including a £32m write-down of its share of the Spitalfield's property development in London and a £34m write-down of its remaining US coal and international pipelaying businesses, which it is selling.

The share issue and disposals, expected to raise a combined £60m, would leave Costain with net cash of about £30m.

The company said it had had discussions with Intria on "specific and potentially imminent work opportunities in Malaysia and elsewhere".

Its skills can be used to help develop Intria's growing Malaysian construction interests and provide an opportunity for overseas work.

Intria would have four representatives on the new 10-strong board. Sir Peter Costain, former chief executive, was expected to be reappointed joint deputy chairman at the company's next annual meeting.

Costain's shares which last week fell 31p to 39p will remain suspended until the open offer is completed and the company's annual report is published on July 31.

Background and Lex, Page 25

Stena says Dover-Calais market up 14% in 1996

By Hugh Carnegy in Stockholm

Stena Line, the Swedish ferry operator, said the market for passenger cars on the hotly contested Dover-Calais route grew 14 per cent in the first half of the year – but expressed disappointment over its own volume increases.

Stena, one of several ferry companies battling Eurotunnel on the route, said the rate of growth in total traffic Dover-Calais had been lower this year than the 20 per cent rate of 1995 and 1994. But it said the growth rate was accelerating as the year went on – though it gave no detailed figures.

Overall market growth is vital to the Dover-Calais ferry operators as they seek to meet the competition of Eurotunnel, which has taken a market share of more than 40 per cent on the route since it opened a year ago. P&O of the UK is the biggest ferry operator with a 30 per cent share, followed by Stena.

Stena warned two weeks ago that its 1996 profits would fall below last year's SKr201m ($30.1m) surplus, mostly because of the effects of Eurotunnel competition.

This week it said it had urged the UK authorities to remove rules barring the ferry operators from collaborating on Dover-Calais and was interested in co-operating with P&O and other ferry companies to blunt Eurotunnel competition.

The Swedish group – the world's largest ferry operator – said its own market share on Dover-Calais rose during the period to about 20 per cent. But it said it had expected to see greater volume growth for its own operations than it experienced.

Stena's figures were distorted by the ending of a "pooling" agreement it had until the end of 1995 with the French operator SNAT.

Its total number of passengers on the Dover-Calais route in the first half was 2.24m, compared with its 1.8m half-share of the SNAT pool last year. Car traffic rose from 242,800 to 377,400.

But Stena has raised its own capacity since the end of the SNAT pool from three ships to five – the same number operated by the pool. Its current market share of 20 per cent compares with a total pool market share last year of 28 per cent.

For Stena's operations on 15 routes around the UK and Scandinavia, passenger numbers grew 8 per cent year-on-year to 7m. Car traffic rose 10 per cent to 1.2m, while freight numbers (including trucks, containers and railway trucks) fell 1 per cent to 469,000.

There was a fall in passenger volumes of 9 per cent on UK routes excluding Dover-Calais. Stena said it had expected greater overall volume growth.

Schmitt's Escom caught out by capricious PC market

Mr Manfred Schmitt, the founder of Escom, Germany's once high-flying personal computer manufacturer and retailer, built up his business by swapping one type of keyboard for another. Now, however, Escom has become the latest victim of the fierce European PC market.

For Mr Schmitt, who came close to becoming a concert pianist at one stage, Escom's being forced this week to seek protection from its creditors must be a particularly bitter personal blow.

After developing his entrepreneurial skills in the early 1980s selling electronic keyboards, he founded Escom in 1986 to assemble and sell cut-price PCs for the home market.

Timing was crucial. The German PC market blossomed in the early 1990s, partly because of the influx of 17m technology-hungry east Germans. Escom grew rapidly, displacing Siemens Nixdorf, part of the German electronics group, to become one of Germany's two biggest PC retailers, alongside Vobis.

But by the time Escom sought protection from its creditors the German group had fallen victim to self-made problems and what Mr Steve Brazier, a senior analyst at market researchers Dataquest Europe described as "fairly extraordinary bad luck".

Dataquest figures show that in the first three months of 1995 sales of home PCs in Germany – Escom's core market – were still booming. Turnover rose 63.8 per cent over the same period in 1994 while sales of professional PCs put on only 33.5 per cent. growth rates which seemed paltry in comparison.

Eager to maintain sales growth, Mr Schmitt looked elsewhere. Escom began selling 3-D glasses and Mr Schmitt even used undisclosed private funds to buy Hagenuk Telecom, the loss-making mobile phone manufacturer. Press reports suggested Hagenuk may have cost about DM80m ($52.4m).

Escom began to expand geographically and set its sights on the UK, the second largest PC market after Germany, and one of the fastest-growing. Mr Brazier characterises Escom's decision to acquire over 200 Rumbelows shops as, "the most dramatic entry a PC market had ever seen". But the company failed to ensure it could move its stocks fast enough – in the fast-changing PC world the opportunity to sell a new PC model may last as little as six or nine months – the time it can take to become obsolete.

In contrast, Mr Brazier points out that Escom's leading competitor, Vobis, had ensured its inventory was managed properly. Vobis, like leading US-based PC manufacturers, including Compaq Computer and Dell, also adopted a "built to customer" manufacturing model enabling it to keep stocks to a minimum.

"Success comes from inventory management," Mr Brazier says. PCs, he points out, have also become rather like fresh fruit: "They have a sell-by date and if you have not sold them by then they are useless."

As it happened – and Mr Brazier admits he and other analysts were completely surprised – the German market collapsed halfway through last year, just as Escom was purchasing the 235 Rumbelows stores across the UK.

Dataquest figures show Escom's market share in terms of units sold in the fourth quarter fell from 4 per cent in the 1994 period to 3.2 per cent last year and it ranked as Europe's 10th largest PC seller, down from sixth a year earlier.

By the start of the first quarter this year PC manufacturers, including Apple Computer, Compaq and others, had begun to blame the marked slowdown in the US and Germany for a string of disappointing results. PC sales in Germany grew by just 8.9 per cent, just ahead of the meagre 5.7 per cent growth recorded in France. By contrast, year-on-year growth topped 20 per cent in Denmark, the Netherlands and Britain.

What the industry seemed to have forgotten, Mr Brazier believes, was that while professional users are likely to change PCs almost every year, home users – Escom's clients – can only afford to buy new PCs every three or four years.

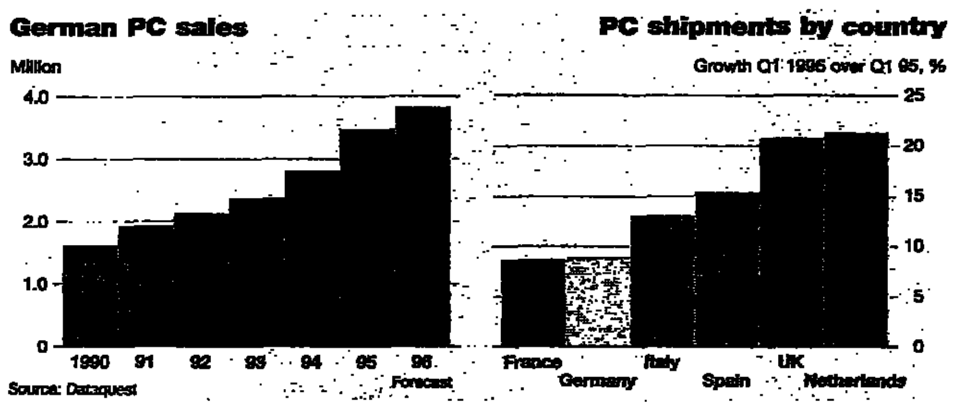
As a result Escom, like some other manufacturers, was left with unsold stock. The problem seems to have been compounded by the sharp reduction in component prices, particularly the price of dynamic random access memory, over the past six months.

D-Ram prices have fallen by about 65 per cent since November last year. This enabled nimble PC vendors with high volumes to slash prices in the first quarter to try to revive flagging sales. However vendors such as Escom were sitting on piles of unsold inventory and were forced to write down the value of their stocks even further.

In March, Escom announced higher than expected full-year net losses of DM125m, which it blamed on falling PC sales, stock write-downs and price cuts. Later that month the company received a DM100m injection from its banks and shareholders and Mr Schmitt was replaced as chief executive by Mr Helmut Jost, a former management board member.

However, even that was not enough. The company said this week that shareholders had refused to cover additional losses. Escom faces an uncertain future – and Mr Schmitt's keyboard dream is shattered.

Michael Lindemann and Paul Taylor



Vobis sales advance 17%

Vobis, the computer retailer sparring with Escom for leadership of the German PC market, said sales in the second quarter had risen 17 per cent and its profits were "satisfactory," writes Michael Lindemann in Bonn.

In a statement which comes on the heels of the troubles at Escom, Vobis said its profits had been affected by a DM20m ($13m) charge which was needed to fund the so-called "built to customer" technology which allows Vobis clients to make up their own computer.

However, the "positive effects" of these changes would be felt once the BTC system had been introduced at Vobis outlets outside Germany. Vobis said it would have to adjust to a slower consumer market but it had been able to make up for much of this slowdown through higher sales to professional PC users.

Flying a flagship carrier through turbulent reform

David Owen on the chairman piloting Air France in a problematic merger and towards privatisation

Can he pull it off? That was the question on many minds as representatives of Air France's numerous unions filed out of the Méridien hotel in Montparnasse yesterday to chew over Mr Christian Blanc's merger proposals.

These unions remain a power in the land. It was a bitter strike in 1993 that forced the resignation of Mr Bernard Attali, Mr Blanc's predecessor as Air France chairman.

The delicacy with which Mr Blanc is playing his hand was evident yesterday in the absence of the word "merger" from his six-page address to works council representatives. Instead he spoke rather tortuously of a "gathering into one company" of Air France and Air France Europe.

The cigar-toting Air France chairman was yesterday still insisting that the state-controlled airline could be privatised in late 1997 or early 1998. But a summer of damaging industrial action could well call this target into question.

Air France Europe, Air France's domestic partner, has already been subject to two 24-hour strike calls within a week, and was yesterday forced to cancel 70 per cent of its flights.

It might be argued that the opportunity to merge with Air France Europe, the former Air Inter, is in any case a dubious privilege. Air France's FFr413m ($80.03m) operating profit for the year to March 31 – its first of the 1990s – was more than offset by Air France Europe's operating loss over the 15 months containing the same period. At the net level, Air France Europe's loss for the 15 months to March 31 came to FFr651.4m against a profit of FFr20.9m in 1994.

The speed of the deterioration is attributable to the progressive liberalisation of the domestic French air transport market. Where once this was a monopoly, it is now bristling with aggressive competitors.

These, too, are finding it tough to make ends meet. Air Liberté, a medium-sized private airline, is not expecting its current year results to be any better than last year's net profit of FFr13m despite a big increase in turnover from FFr1.8bn to about FFr2.8bn.

The company, which recently announced a code-sharing and general commercial agreement with AOM, another medium-sized airline, said a "fare war" had seen prices decline sharply on many routes. TAT European Airlines, owned 49.9 per cent by British Airways, lost FFr280m in 1995-96 on sales of FFr1bn. The situation looks set to get worse before it gets better. Liberalisation of European air travel will be further entrenched in April 1997 – at about the time yesterday's merger will take effect – when airlines from other European Union countries are allowed unfettered access to the French domestic market.

For all that, Mr Blanc's timing in unveiling his revised merger plans looks good in several respects.

For one thing, the results of the surgery carried out at Air France itself are beginning to show – witness the 1995-96 operating profit although net losses totalled FFr2.87bn after provisions of FFr2bn for a voluntary severance scheme and other labour measures.

There are suggestions, too, of encouraging passenger volumes at the start of the present financial year, with the airline's powerful Paris hub beginning to function more effectively.

This situation is not lost on the unions, which will almost certainly be split in their response to yesterday's proposals.

Mr Blanc certainly seems confident of a good level of support from Air France employees. Perhaps significantly, the Air France section of the SNPL pilots' union this week came out in favour of a merger even before the plans had been announced. It was the failure to agree a new remuneration package with domestic pilots that led to the scrapping of previous plans to merge Air France Europe with Air France's European operations.

Mr Blanc is currently eliciting admiring comments from many of his peers in France's tightly-knit community of top business managers. Air France is widely seen as a test of whether the French public sector can be successfully reformed. If he can complete the organisation's financial turnround and nurse it safely to privatisation, their admiration will know no bounds.

Reuter

Flight plans: Mr Christian Blanc, the chairman of Air France, who explained merger proposals to union representatives

GE Capital in German IT purchase

By Paul Taylor

CompuNet Computer, Germany's largest information technology systems value added reseller, is to be acquired by GE Capital Services, part of the US-based General Electric group.

The deal, put together by Broadview Associates, the mergers and acquisitions specialists, marks an important step in GE's plans to build a global IT services group, and may signal the start of a wave of consolidation within the industry.

Terms of the deal, subject to EU Commission approval, have not been disclosed.

CompuNet provides IT desktop services and networking systems for most of the 1,500 largest German companies and government agencies. Its blue-chip customers include Allianz, BMW, Deutsche Bank, Deutsche Post, and SAP.

The group also holds a 26 per cent stake in International Computer Group, the international joint venture with offices in Europe, North America and Asia.

CompuNet, with sales of almost $839m last year, up from $676m a year earlier, is seen as providing the European platform for GE Capital Services.

CompuNet is one of the three largest European dealers, along with Info'Products of the Netherlands and Computacenter which has operations in the UK and France.

In a report PC Dealers and VARs in Europe, The Top 500, published last week, PC Europa, the UK-based market research group, predicted "a mergers and acquisitions boom among Europe's largest PC dealers."

NEWS DIGEST

Alcatel Standard to axe 1,400 jobs

Alcatel Standard, Spain's leading producer of telecommunications equipment and a subsidiary of the French Alcatel-Alsthom group, is to shed 1,400 jobs – 23.5 per cent of its labour force – over the next three years and close two of its four plants in order to ensure its viability. The restructuring, which forms part of a global streamlining by Alcatel-Alsthom, has been made necessary by pressure on margins and on new orders that prompted record losses of Pta29.7bn ($232m) at Alcatel Standard last year, up from Pta3.2bn in 1994.

Mr Miguel Canalejo, company chairman, said the survival of Alcatel Standard depended on union acceptance of the job cuts because the company's parent had made a Pta52bn injection of fresh capital conditional on the implementation of the viability plan. Over the past 12 years Alcatel Standard has run up accumulated losses of Pta47.6bn and Alcatel-Alsthom has pumped Pta44bn into its subsidiary.

If the restructuring, which is expected to cost Pta14bn, goes ahead as planned, Mr Canalejo said Alcatel Standard would be in a position to post an operating profit within two years and a net profit by 1999. Labour unions, which have seen Alcatel Standard's workforce shrink from more than 15,000 in 1983 to below 6,000, said they would accept only voluntary redundancies. *Tom Burns, Madrid*

Getty Communications in IPO

Getty Communications, the company that owns some of the world's largest film and photographic archives, is staging an initial public offering in New York that will value the group at $154m. Some 5m American Depositary Shares (each representing two ordinary shares) will be sold for $10 each. Alex. Brown is lead underwriter with Hambrecht & Quist as co-manager. Existing shareholders are selling 1.8m of the ADSs, with the remaining 3.2m being sold to raise capital for the company. Getty Communications was founded in 1995 by Mr Mark Getty (left), its chairman, who is a member of the wealthy US oil family, and Mr Jonathan Klein, now chief executive officer. The company's interests include Hulton Getty, the former Hulton Deutsch photographic library – which owns the rights to the work of thousands of photographers including Robert Capa and Man Ray, and Fabulous Footage, a North American archive of film footage – and Tony Stone Images, an international network of photographic agencies. *Alice Rawsthorn*

Ferragamo to control Ungaro

Salvatore Ferragamo, the Florentine fashion house, is to take control of Emanuel Ungaro, the French haute couture company. Mr Ferruccio Ferragamo, chief executive, said yesterday the Florence-based company hoped to complete due diligence examination of Ungaro shortly. He said Ferragamo would buy a majority stake in Ungaro, but would not reveal how much the company intended to pay.

Ungaro last year turned over FFr135m ($26.2m) on its main couture lines. Unlike Ferragamo, it licenses its brand for use on other retail items and perfumes. Ferragamo's turnover this year is expected to reach L970bn, up 38 per cent on 1995. Mr Ferragamo said Ungaro and Ferragamo would remain independent within the group, but exchange know-how in their areas of commercial strength. Mr Emanuel Ungaro would remain chairman and chief designer of the French company he founded in the 1960s.

Both companies are still family-owned, but Mr Ferragamo said the Italian group had no intention of following competitors such as Gucci, also based in Florence, onto the stock market. Ferragamo started out as a shoemaker and is well-known for its ties, belts, bags and accessories. Mr Ferragamo said the two companies' retail networks – which include 30 wholly-owned Ferragamo shops and three Ungaro boutiques, plus franchised outlets – were geographically complementary. *Andrew Hill, Milan*

Auchan earnings fall sharply

Auchan, the privately-owned French retailer, recorded a fall in net profit from FFr804m in 1994 to FFr457m ($89.6m), according to accounts published in a document linked to Auchan's bid for Docks de France. The bid values Docks at about FFr17bn. Auchan's 1995 sales rose 6.1 per cent to FFr84.3bn, of which FFr51.7bn were in France. Operating profit advanced from FFr1.63bn to FFr1.84bn.

On the basis of results in the first five months of this year, sales and net profit for 1996 should be higher than those of 1995, Auchan said. It added that if its bid for Docks de France were successful, the combined group would have annual sales of FFr110bn. Privately-owned Auchan said it would spend most of Docks de France's profit on the international development of the company. *AFX News, Paris*

Stora plans to sell building unit

Stora, the Swedish forestry products group, is negotiating to sell its building products division to Industri Kapital, an investment fund, for a price expected to be about SKr865m ($130m), the unit's book value. It said the sale, expected to be concluded by the end of the year, was in line with Stora's aim to focus on core forestry industry operations.

Stora Building Products, which makes doors, windows and kitchen and bathroom fittings, made a loss last year on sales of SKr3.89bn. Stora's group sales totalled SKr57bn. It said group net debt, which stood at SKr11.1bn at the end of March, would be cut by Skr950m by the sale. *AFX News, Stockholm*

Hollandia to buy Pakhoed arm

Hollandia, a Dutch industrial holding company, is to buy Furness, a ports and car dealership unit put up for sale last month by Pakhoed, the Rotterdam-based distribution and storage group. Furness, with more than 2,000 staff and revenues last year of Fl 593.4m ($347m), is being sold as part of a reorganisation by Pakhoed after its move to full control at Univar, a leading US chemicals distributor. As part of the merger Hollandia – headed by Mr Rob Lubbers, brother of former prime minister Ruud Lubbers – would undertake a share issue to strengthen its finances. Operating earnings at Furness fell 41 per cent last year to Fl 8.5m. ABN Amro Hoare Govett initiated and advised on the deal. Pakhoed shares closed 90 cents higher yesterday at Fl 46. *Gordon Cramb, Amsterdam*

■ Accor, the French hotel group, has sold six Sofitel hotels in France to a group of institutional investors for FFr1.1bn ($213m) as part of a programme to sell hotel assets while continuing to manage the hotels. *AFX News, Paris*

CS move hints at boardroom tensions

By William Hall in Zurich

Mr Lukas Mühlemann, who is moving from Swiss Re to take the helm at the new Credit Suisse Group, was only offered the job a fortnight ago. His decision to accept the post at such short notice suggests that boardroom tensions in the run-up to this week's restructuring of the Swiss banking group were more serious than first thought.

Mr Mühlemann, who has overseen a restructuring of Swiss Re, the world's second biggest reinsurance company, fills a gap in the Credit Suisse boardroom left by the sudden resignation of Mr Josef Ackermann, who had been chief executive of Credit Suisse, the Swiss banking arm of CS Holding, since 1993.

CS Holding, which will be renamed Credit Suisse Group after the restructuring, has said Mr Ackermann's departure was "due to differing views" but has refused to elaborate.

However, Zurich's TagesAnzeiger newspaper reported yesterday that Mr Ackermann had handed in his notice seven weeks ago. The newspaper said Mr Ackermann had disagreed with the proposed scale of the cuts in Credit Suisse's domestic retail banking network and felt he had to resign because he had lost credibility.

Meanwhile, the news that Mr Mühlemann had only been offered the top job at Credit Suisse two weeks ago suggests that the management transition has been far from smooth. Mr Ackermann had long been regarded as the heir apparent to Mr Rainer Gut, who has led the group since 1982.

This role now falls to Mr Mühlemann, who is in a much stronger position than his predecessor. Not only will he be chief executive of the whole Credit Suisse Group, but he also replaces Mr Gut as deputy chairman of Swiss Re. Credit Suisse was one of the founders of Swiss Re and the two companies have always had close ties.

Until now the chairmen of Swiss Re and Credit Suisse have sat on each other's boards. Mr Gut's decision to hand over his place on the Swiss Re board is another sign that his influence in the Swiss financial community may be on the wane.

COMPANIES AND FINANCE: THE AMERICAS

Wells Fargo adds health to bank 'n' shop strategy

Wells Fargo, the fastest mover in the race to shift US banking services from traditional branches to supermarkets, is to tweak its strategy – and its rivals' competitive reflexes – by inviting pharmacies to set up shop in established bank premises.

The novel approach, sketched out this week, will be tested in five prime-site branches in California. If successful in a state where fashions flare and fade almost daily, the scheme will be extended deeper into the group's territory – which was extended recently to 11 states by the $12bn acquisition of First Interstate.

The San Francisco-based bank, ranked eighth biggest in the nation in terms of assets, has struck a deal with 1,000-store Thrifty PayLess, one of the biggest drugstore chains in the west.

Thrifty will lease up to two-thirds of the available space in larger bank branches, installing a dispensary for prescriptions and selling a limited range of over-the-counter medicines, cosmetics and drugstore sundries.

Wells Fargo says it will be able to dispose profitably of unwanted branch floor space while maintaining its presence in familiar sites. It will also be relieved of the chore of seeking regulatory approval for closures which might be necessary otherwise.

"This alliance provides Thrifty PayLess with an opportunity to expand our business in market areas that are otherwise too difficult to enter due to the limited availability and the high cost of such premier locations," said Mr Gordon Barker, president of the retail group.

The customers, the partners claim, get what they want: convenience.

The bank 'n' shop concept was first adopted by Wells Fargo five years ago but has been embraced with a vengeance more recently, especially since closing the First Interstate takeover.

It is now the most aggressive promoter of a trend – once believed of interest mainly to smaller financial institutions – which has engaged several big players.

The group's plan, which includes simultaneously closing most of First Interstate's Californian traditional branches and transforming them to in-store "service centres" – has reportedly been slowed by the assimilation of the acquisition.

Even so, compared with 1994, when only 6 per cent of the group's outlets were non-traditional, progress has been swift, and the bank's ambitions remain clear despite a lack of post-acquisition data.

The initial plan was to reduce the proportion of outlets represented by traditional branches to 28 per cent by the end of this year.

The rest would be in-store branches, employing about six compared with 12 in a normal branch, or "centres" with two staff apiece.

According to the group's figures, one-time opening costs for the variants range from 20 per cent to 5 per cent of the $1.2m required for a branch. Operating costs are lowered in proportion to the reduction in staff numbers.

Despite the post-merger glitches, the drive has barely slackened in the marketplace. In May a deal was signed with Arizona's Bashas supermarket chain to open 70 in-store branches.

Together with an existing deal linking First Interstate and Smith's stores, it will make Wells Fargo segment leader in the state.

According to the basic rules of supermarket banking, developed by the pioneering National Commerce Bancorp of Tennessee – which is run by a former grocery executive – the concept works only in large stores with heavy traffic.

While this may limit the scope for banking's invasion of the aisles, National Commerce, which has developed a profitable consultancy sideline for banks wanting to join the race, reckons 15 per cent of all US bank branches – double the current share – will be found in non-traditional sites within three years.

With just 15 fully-staffed traditional branches and 65 two-person service centres planted among the meat and potatoes, National Commerce is an exemplary adviser. Its staff, too, set an example which traditional counter and office workers may find difficult to adopt.

With new-business quotas to meet each month, they are encouraged to mix with shoppers and persuade new customers to sign up.

Whether this will work in Wells Fargo's health-and-wealth layout will presumably depend on the staff's ability to determine whether pharmacy visitors are well enough to withstand the hard-sell.

Christopher Parkes

Metal investors' greed turns to fear

Robert Friedland: hippie-turned-dealmaker and mining legend

Indochina Goldfields' initial public offering appeared to be a sure winner in mid-June as promoters of the Singapore-based metals exploration company wrapped up their international roadshow.

The C$270m (US$198m) issue was four times over-subscribed, thanks partly to Indochina's ties with Mr Robert Friedland, the hippie-turned-dealmaker who controls about 30 per cent of the shares. Mr Friedland has become something of a legend in mining circles since another of his companies, Diamond Fields Resources, discovered one of the world's biggest nickel deposits at Voisey's Bay, Labrador, in late 1994.

But even Mr Friedland's allure has not stopped a rush for the exits since Indochina began trading on the Toronto stock exchange last week. The shares were trading yesterday at C$11.30, or a 25 per cent discount on their issue price.

The reversal in Indochina's fortunes is one sign of a dramatic change of mood in the boom-and-bust market for junior North American mining stocks. After a spectacular advance in 1995 and the first four months of this year, prices are now on the skids.

As Mr Victor Flores, who manages two gold funds at US Global Investors in San Antonio, Texas, puts it, greed has given way to fear. One Toronto investment adviser adds that "clients had come to expect that if a stock doesn't go from here to eternity overnight, there's something wrong".

Indochina's slide is modest compared with some other high fliers. Arequipa Resources, which is looking for gold in Peru, is now trading at about half its peak of C$34.75. Cumberland Resources, which was pinning its hopes on a property in Canada's Northwest Territories, has lost more than two-thirds of its value.

Even these falls pale against Calgary-based Cartaway Resources, which is blamed for triggering the change in sentiment. Speculation that Cartaway was on the verge of a huge discovery close to Voisey's Bay pushed its shares to C$26 in early May, equal to a market capitalisation of C$600m. When drill results failed to confirm these hopes, the shares tumbled. They now languish at C$1.15.

The spotlight has also fallen on securities firms, based mostly in Toronto and Vancouver, that have allowed employees to become sizeable investors in junior mining companies even as they were aggressively selling the shares to outsiders.

First Marathon Securities, one of the most active promoters, has set up a committee of independent directors to probe staff involvement in the junior mining market. First Marathon employees at one time owned 46 per cent of Cartaway's shares. Questions have also been raised about the timing and disclosure of their transactions.

Meanwhile, Canada's mutual funds association this week reiterated a warning that fund managers are barred from trading based on knowledge of what their funds are buying and selling.

The surge of interest in the exploration sector has its origins in the Voisey's Bay discovery, followed a year later by evidence of a huge gold deposit on a property in Indonesia controlled by Bre-X Resources of Calgary.

Investors in Diamond Fields and Bre-X made a killing. Bre-X soared from less than C$2 in early 1995 to last month's peak of C$28.65 (after a 10-for-1 share split), giving it a higher market value than Inco, the western world's biggest nickel producer.

Speculative fever was fuelled by hopes of further discoveries, especially in parts of Latin America, Asia and Africa that have opened up to international mining companies.

According to a survey by Toronto's Financial Post, more than 40 companies listed on the Vancouver stock exchange claim to have interests in Africa. Indochina's most promising properties are in Myanmar (Burma) and Indonesia.

The market received another thrust earlier this year when the gold price breached US$400 an ounce. As money poured into gold and other resource funds, some fund managers became less selective in their choice of investments.

Virtually all the signals have now turned bearish. The Cartaway debacle coincided with a *reversal in the gold price,* followed by the copper slump caused by Sumitomo's troubles.

Revelations about the bull market's excesses have made many investors nervous. Calgary's Timbuktu Resources admitted last month that samples from a gold property in Mali, which initially appeared to contain fabulous grades, were tampered with.

Investors have also woken up to the rarity of deposits on the scale of Voisey's Bay. The rest of the pack "aren't coming up with very good discoveries," says Mr Tony Hayes, analyst at Credifinance Securities in Toronto.

Barring another big strike, the market is not expected to *rebound soon. Despite the* recent correction, share prices are generally still well above *levels at the beginning of 1996.*

Selling may also increase in coming weeks as securities regulators clear prospectuses that were required for all financings based on warrants. Investors are barred from disposing of the warrants until the prospectus has been approved.

Pressure for tighter rules on promotion of junior mining stocks could grow as the full extent of recent excesses emerges.

However, regulators face the challenge of balancing such demands against the reality that mining exploration is by nature a risky, speculative business. "There are a lot of hard feelings, but many people have no one to blame but themselves," Mr Flores says.

In announcing its internal probe last week, First Marathon noted that its employees have *often invested in junior* mining companies at an early, high-risk stage that has been critical to their later growth.

The setbacks have not discouraged FMC Corp, the Chicago-based conglomerate, from going ahead with the sale of the bulk of its 80 per cent stake in its gold mining and exploration subsidiary, which has properties in the US and Chile.

Officials of the company, which will soon be renamed Meridian Gold, are in Europe this week to promote the C$370m secondary share offering. An official at Nesbitt Burns, co-manager of the underwriting group, said "we have a long-term bullish outlook on the sector".

Bernard Simon

Philippine Airlines ready for new take-off

The carrier, freed from state and recapitalisation shackles, can start to modernise, writes Edward Luce

Philippine Airlines (PAL) is not renowned as one of south-east Asia's more dynamic national flag carriers. The partially privatised airline has lurched from bad to worse over the past three years, clocking up public relations disasters with more regularity than it has met most of its international schedules.

Known by its detractors as Plane Always Late, PAL has posted three consecutive years of heavy losses, topping 2bn pesos ($78m) for the year ending March 31. Since February 1995, PAL's woes have been compounded by a heated share dispute between its chairman, Mr Lucio Tan, and minority government shareholders, rendering the airline practically unmanageable.

The airline's top executives, however, believe that PAL is about to turn the corner. Last month, the Philippines' supreme court threw out a petition from minority shareholders which sought to prevent Mr Tan, a prominent Chinese-Filipino businessman, from taking majority control of the airline.

The ruling, which is expected to be followed by a lifting of the Philippine Securities and Exchange Commission's restraining order on the recapitalisation of PAL, will enable Mr Tan to take his direct stake in the flag carrier to 57 per cent. Once he has full control – by the end of September at the latest, according to senior executives – Mr Tan will embark on a $3.2bn modernisation of PAL's ageing fleet.

"Once Mr Tan takes charge, most of PAL's problems can be solved," said Mr Matthew Sutherland, chief researcher at Asia Equity Securities in Manila. "PAL has been plagued by inconsistent management and lack of clarity over control. It needs to speak with one voice."

Senior executives say stockholders will approve a doubling of PAL's capitalisation to 10bn pesos before the end of the year. Under an agreement between Mr Tan and formerly hostile government shareholders, Mr Tan can take 100 per cent of the new capital subscription – with the proviso that the government could compel Mr Tan to buy their shares in five years if PAL continues to make losses.

"After the restraining order is lifted, we will be able to turn this airline around," said Mr Jaime Bautista, chief financial officer at PAL. "We will be able to raise capital abroad, rationalise the workforce and give PAL a new image. We think we will restore PAL to profitability by 1997."

Much, however, remains to be done before PAL can reach cruising height again. With a workforce of more than 14,000 and a strong union presence, PAL is overmanned and constantly plagued by labour disputes – including a protracted pilots' strike last year. Mr Bautista estimates that personnel will have to be cut by between 20 and 50 per cent.

The airline will also have to re-route much of its international flight schedule, including its loss-making European service to London and Paris which stops at Bangkok, Abu Dhabi and Frankfurt. Mr Bautista says this is a problem of equipment. PAL's ageing 747-200s do not have the range to fly non-stop. The average age of the fleet is 13 years.

Under the $3.2bn re-fleeting plan, PAL will purchase 30 new jets, including 24 Airbus aircraft – mainly A330s and A340s – and six Boeing 747-400s. This will reduce the average age from 13 to three by 1999 and allow the airline to provide more consistent services. The spending spree will be accompanied by a full computerisation of maintenance services under the guidance of IBM and a new cost control system which has been contracted out to a subsidiary of British Airways.

Most of the funding for the new jets will be raised internationally with overseas credit departments – including the Export Import Bank in Washington and Export Credit Guarantee Department in London – guaranteeing 85 per cent of the loans. Mr Bautista says that the airline will have no problem raising the remaining 15 per cent. Indeed, this week Mr Tan forwarded $152m for jet pre-payments to be converted into direct equity once the recapitalisation is approved.

On the domestic front, where poor performance made up about 30 per cent of PAL's total losses last year, reform is expected to be more troublesome. In exchange for various tax incentives, the government requires PAL to fly to 38 provincial destinations. Despite opening the domestic sector to local competition last year, the government continues to set ceilings on local fares.

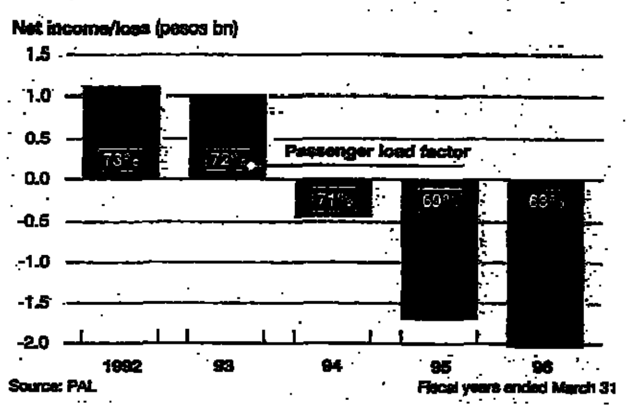
"I can count the number of domestic routes which make a profit on one hand," says Mr Bautista. "We are lobbying the government to change the regulations but without much optimism."

Part of the problem is that PAL's three new competitors – Cebu Air, Grand Air and Air Philippines – can cherry-pick the most profitable routes without the attendant obligations. Grand Air has also been given permission to fly to Hong Kong, one of PAL's most profitable routes.

"We are confident that with our experience we can beat off our new rivals," said Mr Bautista. "We would appreciate a little more understanding from the government, though."

Philippine Airlines

Net income/loss (pesos bn)



Source: PAL

Carter Holt acquires Forwood for A$130m

By Nikki Tait in Sydney

Carter Holt Harvey, the New Zealand based forestry and building products group, is to buy Forwood Products, the timber-processing business owned by the South Australian state government, for A$130m (US$101m).

Forwood was formed three years ago when the timber processing operations of the former Woods and Forest Department of South Australia and the South Australian Timber Corporation were merged.

It takes in timber milling and processing at four different sites in the south-east of the state, and produces both sawn and engineered timber products as well as furniture timber and components. The business is based in Mt Gambier and employs about 900 people.

The sale comes as part of a larger asset sales programme being undertaken by the state government.

The timber mills were put up for competitive auction and yesterday the government said that the Carter bid had been "the preferred bid in terms of price and in terms of the economic benefits to the state".

For Auckland based Carter, one of the two big forestry companies in New Zealand, it represents the second recent purchase of Australian assets: the New Zealand group acquired Bowater's Australian tissue operations for about A$350m, in late-1994.

● Southcorp, the Adelaide-based conglomerate, yesterday won its takeover bid for Coldstream Australasia, the smallest of Australia's listed winemakers.

In a statement to the stock exchange, Southcorp – whose wine division makes labels such as Penfolds and Lindemans and is the largest single producer in sales terms in Australia – said its stake in Coldstream had reached 52.1 per cent.

NEWS DIGEST

China Resources adds to Lippo link

China Resources, the mainland-owned conglomerate listed on the Hong Kong Stock Exchange, has paid HK$314m (US$27.8m) for a 5 per cent stake in PT Lippo Land Development, one of Indonesia's leading listed urban developers, and is considering extending its holding.

China Resources, which holds 5.2 per cent of Lippo Land's key subsidiary, the Jakarta listed PT Lippo Karawaci, has been building strategic ties with the Indonesian Lippo Group over a number of years in Hong Kong, China and Indonesia.

Under the deal, China Resources is buying 13.44m shares of PT Lippo Land Development from the controlling Indonesian Riady family at Rp5,150 per share, representing a 4.2 per cent discount to the previous day's closing price.

Ms Zhu Youlan, president of China Resources, said the purchase allowed the group to tap Indonesia's growing economy through Lippo Land's successful urban development projects while securing a good deal. She added: "Its shares are unjustifiably sold at over 60 per cent discount to net asset value." Mr Stephen Riady, deputy chairman of the Lippo Group, said the strategic investment made by China Resources would increase Lippo Land's competitiveness and strengthen its position as Indonesia's premier urban developer.

China Resources is an arm of China's Ministry of Foreign Trade and Economic Co-operation and one of the fastest growing China companies in Hong Kong. Last month, it unveiled plans to spin off its Beijing property business on the Hong Kong stock exchange, a move which analysts reckon could raise more than HK$1bn. *Louise Lucas, Hong Kong*

Boost for Malaysian shipper

Konsortium Perkapalan, Malaysia's second largest shipping company, is set to buy the Asia-Pacific operator Pacific Basin Bulk Shipping for about $240m – $16.22 a share – in an attempt to boost the Malaysian company's presence in the region. Pacific is listed in the US but based in Bermuda. Its 28 vessels of between 20,000 and 35,000 dwt will increase the Malaysian company's capacity in transpacific cargo routes.

Konsortium will also assume $224m of Pacific's debts. Earlier this year, the Malaysian company acquired 20 per cent in a local shipper, Diperdana Corp.

Malaysia's government, set on reducing its deficit in services payments, is expanding its ports and encouraging its shipping companies to handle more of the country's exports. Konsortium is led by Mr Mirzan Mahathir, the eldest son of Dr Mahathir Mohamad, the prime minister.

Port officials say that traffic through the country's main ports, especially Port Klang, near the capital Kuala Lumpur, has begun growing by year-on-year increases of up to 400 per cent a month this year. *James Kynge, Kuala Lumpur*

Mayne meets on Optus stake

Mayne Nickless, the Australian transport, security and healthcare group, said it expected, at a board meeting next Tuesday, to discuss – and possibly decide – the fate of its 24.9 per cent stake, worth A$1bn (US$780m), in Optus Communications, the telecommunications carrier.

The stake has been put up for sale, and the closing date for expressions of interest was last Sunday. Four interested buyers are rumoured to include BT, Telecom New Zealand, and Australia's Seven Network. However, overseas buyers are thought unlikely to succeed because of foreign investment restrictions on Optus. Mayne has said that, if no suitable trade buyer emerges, it will sell the stake in conjunction with Optus' stockmarket float later this year. *Nikki Tait, Sydney*

Gencor sells its stake in Malbak for R1bn

By Mark Ashurst in Johannesburg

Gencor, the South African metals and mining group, has sold its largest non-mining investment, a 15.3 per cent stake in the consumer group Malbak, for more than R1bn ($231m).

The stake has been acquired by a consortium led by Sankorp, the industrial holding company of insurance conglomerate Sanlam, which itself unbundled Gencor in November 1993.

The disposal will increase Sankorp's stake in Malbak, a diversified food, pharmaceuticals, packaging and retail group with interests in most non-mining sectors of the South African economy, to 39.4 per cent.

The deal, at yesterday's ruling price of R20.50 a share, represents a discount of almost 25 per cent to Malbak's net asset value. But analysts said Gencor had done well to place its entire remaining stake in a single transaction, after many months of thin trade and a weak stock price.

"They had the choice of getting rid of Malbak now or waiting until it is unbundled at the end of the year. They've been trying for at least six months and there are not many buyers for R1bn of Malbak," said one.

Analysts were divided over the probable gains for current shareholders when Malbak is spun off. With the exception of Sankorp, the members of the consortium were not identified, but were likely to be seeking bigger stakes in selected Malbak businesses after its unbundling, analysts said.

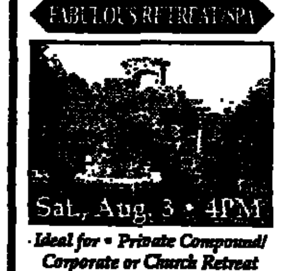
The disposal is the largest liquidation of listed investments retained by Gencor since the group unbundled its non-core industrial businesses in November 1993, the turning point in its transformation from a diversified conglomerate into a focused metals and mining business.

Gencor would not disclose its plans for the cash, saying only that its share portfolio was "part of its liquid cash resources [which] have been gradually realised to finance projects as market conditions have allowed".

Analysts said the money was more likely to offset debt from existing projects than to be channelled into new ones. Gencor has launched pre-feasibility studies into projects worth about R5.5bn, including a R4bn aluminium smelter at the Mozambican harbour port of Maputo and a zinc smelter in the Eastern Cape.

However, Gencor will seek foreign investment to fund the aluminium project – if it is approved.

Its stake in Malbak has fallen from 20 per cent a year ago. The consumer group has been beset by management conflicts over its unbundling. In May, Malbak ousted Mr Grant Thomas, its chairman and chief executive, amid persistent allegations that he had dealt irregularly in Malbak shares.



COMPANY NEWS: UK

CRH buys Allied Building for $121m

By Andrew Taylor, Construction Correspondent

CRH, the Dublin-based building materials groups, yesterday announced a further expansion of its US business with the $121m (£78m) purchase of Allied Building Products, the country's third largest roofing, cladding and insulation supplier.

Spending on US acquisitions by CRH this year has now approached $250m, while the total annual turnover of all its US businesses is expected to total more than $1.5bn in a full year.

Last year, the US accounted for 31 per cent of group turnover of I£1.91bn (£1.97bn) and 34 per cent of trading profits of I£170.5m. The company now operates from more than 200 locations in 38 states in the US.

Allied, which operates from 69 locations in 23 states, is market leader in its sector in the mid-Atlantic, Pacific north-west and Mountain states, said CRH. It made pre-tax profits of $9.4m on sales of $429m last year.

Goodwill of about $30m is expected to arise on the purchase price, which includes assumed borrowings.

Other US acquisitions by CRH this year include the purchase, for $87m including debt, of the Jack B Parson Companies, which have quarrying, asphalt, concrete and paving operations in Utah, Idaho and Nevada.

CRH spent a further $29m to purchase: Ritangela, an asphalt and paving construction business based in Orange County, New York State; parts of Brooks Products, a leading producer of pre-cast concrete vaults, meter boxes and related products primarily used in underground utility installations; and parts of Foster and of Southeastern; two concrete masonry, block and pre-cast concrete manufacturers, both based in Massachusetts.

Allied represents a new area of US investment for CRH, which previously has operated from four main divisions. These are: precast concrete, which has a strong position supplying the telecommunications and electrical industries; architectural products, making concrete masonry, paving and garden products; building materials, supplying aggregates, asphalt and ready-mix concrete; and the glass division.

A fifth division will be built around the builders' merchants interests of Allied, CRH said.

The company has expanded internationally through a series of modest "bolt-on" acquisitions since the mid 1970s and also has large business interests in continental Europe and the UK.

Almost 72 per cent of trading profit last year was earned outside Ireland. Total spending on acquisitions this year, including purchases in the UK, France and Netherlands, has been about I£190m. The group says it has been able to finance much of its spending from cash flow.

Gearing on the basis of purchases so far this year is expected to rise from 21 per cent to just over 30 per cent. Analysts are forecasting pre-tax profits this year of I£190m, up from I£160.5m.

Costain's saviour is well connected

By Andrew Taylor

Intria Berhad, the Malaysian construction and investment group, appears at first glance to be a surprising saviour of Costain Group, one of the great names of international contracting which has fallen on hard times.

The Malaysian company, which used to be called Acidchem and was a palm oil refiner making fatty acids and glycerine, was incorporated in 1990. Its experience of construction is limited. Its main interest is a concession to operate the Penang toll bridge which generates an annual revenue of M$90m ($36m).

In the year to June 30, 1995 Intria reported pre-tax profits of just M$19.4m on sales of M$229.1m.

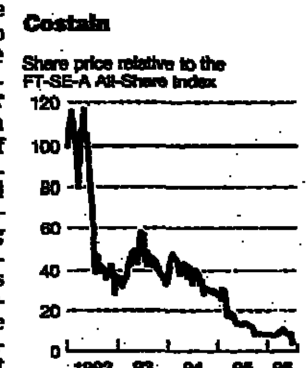
Its business interests may be modest but it is extremely well connected through a complex shareholding structure which places it in a strong position to win a large slice of the country's construction programme.

Intria's biggest shareholder, with 53 per cent, is Mekar Idaman a private investment company thought to have strong links with the United Malays National Organisation, the country's dominant political force.

Under Malaysia's seventh five-year plan (1996-2000), about M$200bn has been earmarked for infrastructure. Intria is thought to be line to win the M$800m university of Sabah project in Borneo.

LEX COMMENT

Costain



Source: FT Extel

Costain's shareholders have precious little option but to approve the rescue deal the company has come up with. The three-for-one open offer will leave Malaysia's Intria with around 40 per cent of the enlarged share capital. Costain's banks could end up with 35 per cent in a debt-for-equity swap, depending on the take-up by shareholders. Of course, the result is dilution of their already horribly battered stakes in the company. But since the company has no future without a restructuring and this is the only one on offer, there is little for them to do except take further punishment.

Whether they should subscribe at 50p a share is another question. Given the company's history, gut instinct suggests they should pass up the chance. Certainly, with the shares suspended at 39p, admittedly when it looked like the company could go bust, this hardly looks a bargain. After the financial restructuring and extensive write-downs, the net asset value per share will be about 21 pence, substantially below the offer price.

Of course, it could turn out that the link with the well-connected Intria will help the new, financially sound Costain to create shareholder value at last. The one thing that can be said in Costain's favour is that, despite its dire financial performance, it has managed to go on winning contracts with astonishing success. But given the company's history, the possibility of future triumphs does not appear quite strong enough to outweigh the cynicism that is borne of prolonged disappointment.

NEWS DIGEST

Jurys up 58% on tourism boom

Ireland's continuing tourism boom helped Jurys Hotel, a Dublin-based hotel company, to a 58 per cent rise in pre-tax profit to I£9.51m ($15.2m) in the year to April 30.

The company, which operates in Ireland and the UK, reported occupancy rates up 3 per cent to between 75 per cent and 80 per cent in its main hotels, pushing turnover up 19 per cent to I£49.3m. *John Murray Brown*

Firecrest makes $12m sale

Firecrest has sold for $12m the worldwide rights to the Internet Transphone and the Collect loyalty scheme to Netex Network Communication, a new US company. The Internet Transphone allows users to make secure encrypted credit card payments over the Internet.

Cookson in US joint venture

Cookson Group, a specialist industrial materials company, has agreed to merge Cookson Entek, its 75 per cent-owned subsidiary in the polyethylene battery separators business, with Emark, a privately held US company, and certain interests of Entek Manufacturing. Entek owns the remaining 25 per cent of Cookson Entek.

Druck acquires Texan group

Druck Holdings, a USM-quoted electronics group, has acquired Ruska Instrument, of Houston, Texas, for about $7.5m cash, plus the assumption of $2.3m debt. Ruska develops and makes pressure generator instruments used as standards in industry, including many national laboratories.

IWP buys into eastern Europe

IWP International has bought a 60 per cent stake in Polbita, a Polish distributor of household and personal care products in eastern Europe, for $4.6m, including loans of $2.55m.

In the year to December, Polbita's sales were $45m, and pre-tax profits were $522,000.

T&N to seek clearance for stalled Kolbenschmidt bid

By Tim Burt

T&N, the motor components and engineering group, is to seek clearance for its stalled DM282.6m ($186m) takeover of Kolbenschmidt, the German piston maker, by arguing that it no longer poses a threat to fair competition.

The company plans to tell the German cartel office, which rejected the proposed deal last summer, that it should now approve the takeover, because its main rival has pushed through a similar acquisition without being *referred to the competition* authorities.

Mahle, the German components group which complained to the Kartellamt about T&N's bid, last month joined forces with Cofap, the Brazilian piston rings manufacturer, to acquire Metal Leve, one of South America's largest piston manufacturers.

Mahle had previously argued that T&N should not be allowed to buy Kolbenschmidt because it would become a captive customer for Goetze, T&N's existing German piston rings subsidiary.

Sir Colin Hope, T&N chairman, expressed optimism that the cartel office would review its rejection of the deal.

"Mahle's action undermines the argument on which we've been turned down," he said.

Failing approval from the cartel office, T&N plans to submit the bid to competition authorities in Brussels.

T&N's hopes rest on the European Commission accepting that consolidation is inevitable and desirable among component companies.

● T&N, which as Turner & Newall was one of Britain's largest asbestos companies, yesterday won a reprieve over a legal threat to the so-called Georgine Settlement, a system of awarding fixed payments to asbestosis victims.

Although a US Appeal Court has ruled that the settlement failed to meet the criteria of a class action, it has agreed that the procedure should remain in place pending an appeal to the Supreme Court.

T&N is one of 20 asbestos *companies fighting the ruling* through the Center for Claims Resolution. It said the Georgine Settlement would remain in force throughout the appeal process, which could last until the end of 1997.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Burtonwood	Yr to March 31	49.1	(48.7)	4.34♥	(3.5)	13	(11.1)	4.65	Aug 16	4.5	5.55	5.3
Caspian §	Yr to Dec 31	1.88	(2.4)	1.12L♠	(1.85L)	1.09L†	(2.13L)	-	-	-	-	-
Costain	Yr to Dec 31 ★	842.4	(974.2)	142.6L♠	(180.4L♠)	276.9L	(359.8L)	nil	-	nil	nil	nil
Gibbon	Yr to Mar 31	29	(27.5)	2.41	(2.05)	15.6	(13)	4.5	Oct 2	4	7	6.2
Hornby §	15 mths to Mar 31 ☆	38.6	(33.7)	5.16L♠	(4.3L♠)	62.92L	(53.7L)	5.5	Aug 14	5	5.5	5
Inner Workings Φ	Yr to Mar 31	0.499	(0.246)	0.220L	(0.009L)	1.42L	(0.16L)	-	-	-	-	-
Inveresk	6 mths to June 1	73.9	(81.2)	2.78L♠	(4.72)	3.7L	(8.3)	1.93	Sept 16	1.93	-	5.79
Jurys Hotel ♣	Yr to Apr 30	49.3	(41.3)	9.51	(6.02)	18.5†	(15.6)	4	-	3.65	6.3	5.75
Vardy (Reg)	Yr to Apr 30	575	(377.4)	14.2	(11)	21.3	(18.4)	4.25	Oct 1	3.77	6.5	5.75
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust New Dawn	Yr to Apr 30	283.44	(218.43)	0.786	(0.869)	1.82†	(2.21)	1.15	Sept 6	1.15	1.15	1.15

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★ Comparatives restated. §USM stock. ☆ Comparatives for 12 months. ΦAim stock. ♣Irish currency.

Lafarge set to win quarry company

By Geoff Dyer

Lafarge, a French construction materials group, looks set to win Ennemix, a tiny quarry company based in eastern England, which in April rebuffed a £6.4m ($10m) hostile bid from Redland, one of the UK's largest building materials groups.

Ennemix has recommended a £8.8m bid from Lafarge, which represents a 38 per cent *improvement on Redland's* offer.

Mr Vaughan McLeod, Ennemix's chief executive, said: "We won the battle, but we have lost the war." With Redland continuing to hold a 41 per cent stake in the group, he said the Lafarge bid was the best way of ending the uncertainty surrounding the group.

Lafarge, which is offering 46p per share, a 31 per cent premium to Wednesday's closing price of 35p, bought 14.1 per cent of Ennemix's shares yesterday, giving it control over 41.8 per cent.

Redland, which paid 32p per share in December for the 30 per cent stake it bought from Nash Sells, a venture capital company, said that it was still *considering its options*.

Lafarge said that the acquisition would allow it to expand its UK aggregates business and gave it a presence in the ready mixed concrete market. Ennemix made pre-tax losses of £585,000 in 1995 on sales of £14.7m.

INTERNATIONAL CAPITAL MARKETS

Ratings upgrade, rate cut hopes lift Italy

By Richard Lapper, Capital Markets Editor

Further rises in Italian bond prices following Tuesday's decision by Moody's to upgrade the country's domestic and foreign currency debt ratings were the main focus of attention in a quiet day in European markets.

With the US market closed for Independence Day and dealers awaiting the release of US employment data today, trading slowed to a trickle in the London afternoon.

In Italy, optimism about a possible cut in interest rates following the publication tomorrow of CPI figures also buoyed prices. June CPI is expected to fall to less than 4 per cent.

On Liffe, 10-year BTP futures gained 0.71 to settle at 117.54, while the December eurolira contract closed at 92.36, up 0.11. In the cash market, 10-year BTPs closed at 102.45, up 0.59, with the yield spread over Germany falling 9 basis points to 278 points.

Analysts expect the 10-year yield spread to contract further. Mr David Brown, chief European economist of Bear Stearns International, argues that: "It won't be too long before the [275 basis point target] breaks, and the market heads to our secondary and tertiary targets of 250 basis points and 225 basis points. There are a lot of people out there who are trying to call time on the Italian rally and saying that at around 280 basis points the 10-year spread looks expensive. We could not disagree more vehemently."

Mr Julian Jessop, chief European economist at Nikko Europe, also expects the gap to

GOVERNMENT BONDS

narrow to 250 basis points but says "flows of money will take it there" and that such a yield premium is "not necessarily justified by fundamentals".

He argues that any further contraction in the yield spread can only take place on the assumption that Italy will join the first stage of European monetary union in 1999. Mr Jessop says Emu is "an accident waiting to happen" and that high-yielding markets will be the hardest hit.

He expects that by the autumn the weakness of European economic recovery and fiscal difficulties will undermine efforts to meet Maastricht targets.

Spain, another beneficiary of the convergence trend, also outperformed core markets yesterday, with the 10-year yield spread narrowing by 4 basis points to 228 points. On Meff, the 10-year September bono settled at 100.85, up 0.41.

A 5 basis point cut in the intervention rate by the Bank of France, helped the short end of the French curve, marginally reducing the yield spread between German and French two-year paper.

Mr Jessop expects a further 5 basis point reduction in the intervention rate, bringing it within 20 basis points of the German repo rate. On Matif, the September notional contract settled at 121.84, up 0.08, while September Pibor was up 0.03 at 96.03.

German bunds gained ground, with the September 10-year contract up 0.19 at 95.69.

Rumours of a possible UK rate cut buoyed short sterling in early trading, with the December contract settling at 94.15, up 0.08.

The September long gilt rose ¼ to 105$\frac{29}{32}$ but analysts emphasised the thinness of trading, with only 11,649 contracts exchanged. In the cash market, the 10-year yield spread over bunds fell by 3 basis points to 152 points.

BZW to lead secondary sell-down for Railtrack

By Antonia Sharpe

BZW, the arranger of the £2.35bn credit facility for Railtrack, the recently-privatised British rail network, is leading a secondary sell-down of the loan in an attempt to halve the commitments which it and its fellow underwriters were left with following a poor general syndication phase.

SYNDICATED LOANS

The 5½-year loan was underwritten in April by BZW, Credit Suisse, Deutsche, Fuji, Kredietbank, Midland, Royal Bank of Scotland and WestLB.

The banks had expected to reduce their commitments from £300m to £100m but only £700m was raised in syndication.

The underwriters were left with about £200m each, although BZW's commitment is thought to be closer to £250m. The disappointing syndication was blamed on several factors, from the slim pricing and the lack of a credit rating, to concerns about Railtrack's future if there was a change of government.

However, since its privatisation in May, Railtrack has obtained ratings from Standard & Poor's and Moody's, of A plus and A2 respectively, slightly higher than expected.

Bankers involved in the secondary sell-down say Railtrack's rating, its successful flotation and annual results should encourage the dozen or so banks which came close to committing during general syndication to do so now.

Railtrack is closely assisting in the marketing of the secondary sell-down. It is unusual for a company to get involved in a sell-down because most treasurers do not approve of their core banks indulging in this activity.

Bankers said that although unusual, it was in Railtrack's interest to do so in order to pacify the eight underwriters, some of which are unhappy about the size of their commitments.

They added, however, that Railtrack would have to alter its plans to assign its future business to its 10 core banks, since this stance had removed any incentive for other banks to join in the general syndication phase.

Today should see the launch of the long-awaited loan for the Hellenic Republic. A grand total of 18 banks have been appointed to arrange the $500m five-year facility, which represents fresh funds for the borrower.

Bank of Tokyo and UBS are running the books during the two-week syndication period. The margin is believed to be 45 basis points for the first three years, rising to 50 basis points in the final two years.

This compares with a margin of 80 basis points on a loan which Greece signed in March last year. Bankers said the lower margin reflected the current appetite for Greek assets and the general erosion in margins to emerging market credits.

TOP ARRANGERS OF EUROMARKET LOANS

Arranger	Jan-June 1996 $bn	Rank	%	Issues	1995 $bn	Rank	%	Issues
BZW	18.4	1	10.7	57	21.8	5	5.5	118
NatWest Markets	15.0	2	8.8	49	23.5	3	6.0	142
Deutsche M.Grenfell	14.3	3	8.3	49	21.5	6	5.5	95
Chase Manhattan	13.6	4	8.0	65	22.9	4	5.8	170
UBS	10.9	5	6.4	49	16.4	7	4.2	111
ABN-Amro Bank	9.0	6	5.3	39	11.7	9	3.0	104
JP Morgan	7.0	7	4.1	20	32.1	2	8.2	77
Citicorp	6.8	8	3.9	36	35.0	1	8.9	129
Bank of America	5.3	9	3.1	23	11.0	10	2.8	73
CSFB/Credit Suisse	4.8	10	2.8	15	11.8	8	3.0	46
Industry totals	171.2		100.0	525	393.9		100.0	1,985

Signed loans only. Ranked by equal apportionment. Source: Euromoney Loanware

BZW, which in April jumped to the top of Euromoney's widely-watched league table of euromarket loan arrangers for the first time in three years following the signing of the Railtrack facility, remains in pole position at the half-year stage, writes Antonia Sharpe.

Acquisition financings, notably in the utilities sector, and pre-privatisation loans, such as those for Railtrack and British Energy, the UK nuclear power generator in the process of being floated, are behind BZW's rise to the top. It is believed to be keen to remain high in the arrangers table but equally keen not to be one of the biggest providers of funds to the market, reflecting the aim of Barclays, its parent, to manage the group's loan portfolio more actively.

The two biggest upsets in the table are Citicorp, which has slid to 8th from 1st at the end of 1995, and JP Morgan which has fallen to 7th place from 2nd. However, the two banks are yet to recover their lofty positions in the coming months when several large loans, for example those for Philips and Saab, are signed.

The half-yearly volume data from Euromoney, of $171.5bn, bear out bankers' predictions at the start of the year that volume in 1996 is unlikely to reach the $393.9bn achieved in 1995. Volume last year was boosted by the mass move by companies to refinance their loans on finer terms. Bankers believe that business in the second half of the year will depend mainly on continued M&A activity.

Strong demand for short-term FRNs

By Samer Iskandar

Primary market activity was subdued yesterday, in the absence of US market participants and ahead of today's truncated trading session. Meanwhile, French issuers were in the process of satisfying the unusually strong demand for short-term floating-rate paper.

INTERNATIONAL BONDS

Caisse Centrale du Crédit Immobilier de France issued FFr1.5bn of step-up puttable notes maturing in three years. The coupon was set at 5 basis points below 3-month Pibor during the first year, but will increase in the second year and again in the third.

By making the bonds puttable on every quarterly coupon date after the first year, the issuer widened the potential investor base to include short-term money-market funds. The lead manager, Crédit Commercial de France, said about half the amount was being placed with foreign investors.

"Corporates and banks are cash-rich and, when you look at the yield curve from non-resident investors' perspective, only the zero to two-year area [of the yield curve] offers a pick-up over German yields; so that is the area where most of the demand is concentrated," said an official at CCF.

French bankers were also confident the FFr40bn asset-backed issue for Cyber-Val 07-96 would sell "like hot cakes", despite the impressive amount. Even the one-year tranche, expected to be priced at around Pibor flat, seems set to meet strong demand.

"Even slightly below Pibor, the yield would be attractive... This level is still about 50 basis points over Libor rates on D-Marks", said one syndicate manager in Paris. The deal is likely to be launched as soon as next week.

Elsewhere, Woolwich Building Society announced its intention to issue subordinated debt in eurosterling, possibly in the next few days. BZW and UBS will be joint lead managers.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
YEN							
Japan Energy Corp (a)♦	10bn	3.56	100.36	Aug 2006	0.35		DKB International
SWISS FRANCS							
Zellweger Luwag	80	4.63	101.38	Aug 2002	STD		Credit Suisse
GUILDERS							
Dresdner Finance	250	5.625	99.83R	Aug 2001	0.25R	+10(8)	ABN Amro Hoare Govett
FRENCH FRANCS							
CCCI‡	1.5bn	(e)	100.07R	Jul 1999	0.10R		CCF
FINNISH MARKKA							
Nordic Investment Bank	300	6.15	101.79	Jul 2001	1.875		Handelsbanken Markets
SWEDISH KRONOR							
TMCC	500	7.60	101.421	Aug 2001	1.875		Deutsche Morgan Grenfell
PESETAS							
Swedish Export Credit Corp	10bn	7.75	100.115	Aug 2001	1.625		BSN/NatWest/UBS
ITALIAN LIRE							
NordLB	200bn	8.125	101.20	Aug 1999	1.375		Bear Stearns/IMI Lux.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ♦Unlisted. §Convertible. ◊With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Pibor -5bp for 1st-yr; 3-mth Pibor +10bp for 2nd-yr; 3-mth Pibor +20bp for 3rd-yr

Russian debt prices gain more ground

By Richard Lapper

Russian debt prices gained further ground yesterday following confirmation of Mr Boris Yeltsin's victory at the polls. Prices of dollar-denominated Vneshekonombank debt

EMERGING DEBT MARKETS

had surged early on Tuesday evening as the first election results emerged.

Dealers quoted Vnesh dollar debt at a bid price equal to 51¾ per cent of face value compared with an opening price of 50¾ per cent, a rise of 1.2 per cent.

Mr Richard Gray, emerging markets economist at Bank of America, said the scale of Mr Yeltsin's victory had encouraged further buying. He predicted, though, that the market could become vulnerable to profit-taking if it made further gains from current levels.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.7460	-	8.82	8.91	8.86
Austria		6.260	05/06	97.3000	+0.240	6.53	6.58	6.47
Belgium		7.000	05/06	101.8100	+0.260	6.74	6.83	6.66
Canada *		7.000	12/06	95.0700	+0.350	7.70	7.80	7.45
Denmark		8.000	03/06	104.1600	+0.160	7.37	7.47	7.38
France	BTAN	5.750	03/01	100.5600	+0.180	5.61	5.70	5.48
	OAT	7.250	04/06	105.2600	+0.090	6.50	6.61	6.43
Germany Bund		6.250	04/06	97.8200	-0.060	6.55	6.61	6.40
Ireland		8.000	08/06	102.6300	+0.130	7.61	7.71	7.58
Italy		9.500	02/06	102.4500	+0.590	9.11†	9.26	9.35
Japan	No 140	6.600	06/01	119.1626	+0.017	2.28	2.29	2.30
	No 182	3.000	09/05	98.3695	+0.070	3.23	3.24	3.25
Netherlands		6.000	01/06	96.7200	+0.120	6.47	6.51	6.31
Portugal		11.875	02/05	118.6000	+0.050	8.70	8.81	8.90
Spain		8.800	04/06	99.8600	+0.400	8.80	8.91	9.07
Sweden		6.000	02/05	86.7048	+0.167	8.21	8.25	8.63
UK Gilts		8.000	12/00	103-06	+6/32	7.14	7.28	7.40
		7.500	12/06	97-07	+9/32	7.89	8.01	8.05
		9.000	10/08	107-20	+9/32	8.01	8.12	8.14
US Treasury *		6.875	05/06	0-00	-	6.81	6.91	6.66
		6.000	02/26	0-00	-	6.96	7.05	6.84
ECU (French Govt)		7.500	04/05	103.5500	+0.030	6.94	6.98	6.87

London closing. *New York Closed. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Close		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	6.16
Broker loan rate	7	Two month		Three year	6.33
Fed.funds	5⅜	Three month	5.24	Five year	6.52
Fed.funds at intervention	5¼	Six month	5.42	10-year	6.77
		One year	5.73	30-year	6.93

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	121.86	121.84	+0.08	121.92	121.78	56,449	172,941
Dec	120.52	120.50	+0.08	120.54	120.46	159	27,883
Mar	120.36	120.34	+0.08	120.40	120.36	94	1,514

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
120	-	2.12	1.68	0.04	0.16	-
121	1.10	1.38	1.13	0.08	0.28	0.82
122	0.40	0.74	0.75	0.21	0.61	-
123	0.09	0.34	-	0.56	0.90	1.63
124	0.02	0.13	-	-	-	-

Est. vol. total, Calls 17,254 Puts 18,362. Previous day's open int., Calls 114,187 Puts 125,336.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.68	95.69	+0.19	95.75	95.62	48697	204329
Dec	94.75	94.78	+0.16	94.79	94.75	500	3839

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9550	0.53	0.79	0.58	0.87	0.34	0.60	1.30	1.59
9600	0.28	0.52	0.41	0.67	0.59	0.83	1.63	1.89
9650	0.13	0.33	0.27	0.51	0.94	1.14	1.99	2.23

Est. vol. total, Calls 6231 Puts 8487. Previous day's open int., Calls 142008 Puts 160984

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	117.50	117.54	+0.71	117.60	117.35	22017	61336
Dec	-	116.82	+0.71	-	-	0	617

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11750	1.15	1.67	1.11	2.35
11800	0.89	1.42	1.35	2.60
11850	0.70	1.22	1.66	2.90

Est. vol. total, Calls 5453 Puts 3113. Previous day's open int., Calls 73284 Puts 65541

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.75	100.85	+0.41	100.90	100.72	33,481	58,503

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106-17	106-25	+0-14	106-26	106-15	11649	123347
Dec	-	105-29	+0-14	-	-	0	516

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
106	1-08	1-31	1-17	1-46	0-22	0-45	1-23	1-52
107	0-34	0-59	0-54	1-18	0-48	1-09	1-60	2-24
108	0-12	0-33	0-34	0-59	1-26	1-47	2-40	3-01

Est. vol. total, Calls 658 Puts 657. Previous day's open int., Calls 21774 Puts 19893

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.88	90.86	+0.04	90.92	90.80	1,791	6,175
Dec	89.00	89.00	-	89.00	89.00	1	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	109-01	109-08	-	109-15	108-27	259,669	444,809
Dec	108-17	108-23	-	108-30	108-10	941	18,249
Mar	108-04	108-11	-	108-14	108-00	41	3,015

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.93	-	-	118.95	118.88	1451	n/a
Dec	117.88	-	-	117.90	117.84	285	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jul 4	Day's change %	Wed Jul 3	Accrued interest	xd adj. ytd		Low coupon yield Jul 4	Jul 3	Yr. ago	Medium coupon yield Jul 4	Jul 3	Yr. ago	High coupon yield Jul 4	Jul 3	Yr. ago
1 Up to 5 years (22)	122.30	0.09	122.65	2.61	4.72	5 yrs	7.27	7.31	8.09	7.32	7.37	8.09	7.40	7.44	8.16
2 5-15 years (19)	146.88	0.24	146.54	2.50	5.65	15 yrs	8.12	8.14	8.38	8.12	8.15	8.39	8.21	8.23	8.52
3 Over 15 years (9)	160.94	0.28	160.49	2.58	6.30	20 yrs	8.21	8.23	8.39	8.21	8.23	8.40	8.27	8.28	8.52
4 Irredeemables (6)	183.23	-0.02	183.27	2.35	6.36	Irred.†	8.27	8.27	8.47						
5 All stocks (56)	142.14	0.19	142.05	2.60	5.47										

Index-linked							Inflation 5% Jul 4	Jul 3	Yr. ago	Inflation 10% Jul 4	Jul 3	Yr. ago
6 Up to 5 years (1)	198.65	0.06	198.54	1.69	4.43	Up to 5 yrs	2.53	2.55	3.47	1.04	1.06	1.86
7 Over 5 years (11)	188.03	0.18	187.70	1.81	1.81	Over 5 yrs	3.78	3.80	3.73	3.58	3.59	3.54
8 All stocks (12)	188.14	0.17	187.82	1.81	1.86							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jul 4	Jul 3	Jul 2	Jul 1	Jun 28	Yr ago	High*	Low*
Govt. Secs. (UK)	93.02	92.80	92.91	92.81	92.56	91.86	96.34	91.59
Fixed Interest	112.52	112.50	112.53	112.12	112.10	111.09	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jul 3	Jul 2	Jul 1	Jun 28	Jun 27
Gilt Edged bargains	76.2	84.9	77.4	79.1	78.3
5-day average	79.2	82.1	82.7	80.5	78.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 4

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	96⅞	97⅛	+⅛	7.09
ABN Amro Bank 7¼ 05	1000	99⅛	99⅜		7.52
African Dev Bk 7⅜ 23	500	95⅝	96⅛	-⅛	7.76
Alberta Province 7⅜ 98	1000	102¼	102½		6.53
Asian Dev Bank 6¼ 05	750	94⅛	94⅝		7.21
Austria 8½ 00	400	105⅛	105⅝		6.73
Baden-Wuertt L-Fin 8⅛ 00	1000	104⅛	104⅜	+⅛	6.78
Bank Ned Gemeenten 7 99	1000	101⅜	101⅝		6.49
Bayer Vereinsbk 8⅛ 00	500	104	104¼	+⅛	6.80
Belgium 5½ 03	1000	91	91⅛	+⅛	7.11
British Columbia 7¾ 02	500	103¼	104	+⅛	6.96
British Gas 0 21	1500	13⅝	14		8.19
Canada 6⅝ 05	1500	95⅛	95⅜		7.24
Canada 6½ 97	2000	100½	100⅝	+⅛	5.97
Cheung Kong Fin 5½ 98	500	95⅝	96⅜		7.69
China 6½ 04	1000	93⅛	93¾		7.83
Credit Foncier 9½ 99	300	105⅝	105⅞		6.65
Denmark 5¼ 98	1000	98⅜	98⅝		6.30
East Japan Railway 6⅝ 04	600	96⅜	96⅝	+⅛	7.25
EIB 6 04	500	94⅞	95⅛	+⅛	6.87
EIB 9¼ 97	1000	103⅞	104⅛		6.15
Elec de France 9 98	200	103⅞	104⅛		6.47
Ex-Im Bank Japan 8 02	500	104⅝	105	+⅛	6.88
Export Dev Corp 9½ 98	150	105½	105⅞		6.51
Exxon Capital 0 04	1800	58⅛	58½		7.15
Fed Home Loan 7⅛ 99	1500	101¾	102	+⅛	6.59
Federal Natl Mort 7.40 04	1500	102⅛	102⅜		7.17
Finland 6¾ 97	3000	100⅛	100⅜		6.27
Ford Motor Credit 6¼ 98	1500	99⅝	99⅞		6.59
General Mills 0 13	1000	23⅞	24⅜	-⅛	8.73
IMI Finance 5¼ 98	650	97⅛	97⅜		6.55
Inter-Amer Dev 6⅝ 06	1000	93⅛	93⅝	+⅛	7.21
Inter-Amer Dev 7½ 05	500	101⅞	102⅛	+⅛	7.20
Intl Finance 5¼ 99	500	97½	97¾		6.34
Italy 6 03	2000	94⅛	94¼	+⅛	7.17
Italy 6⅞ 23	3500	89⅞	90	+⅛	7.95
Japan Dev Bk 8⅜ 01	500	105⅜	105⅞		6.89
Korea Elec Power 6⅜ 03	1350	94	94⅜	+⅛	7.58
Matsushita Elec 7¼ 02	1000	101½	101¾		7.06
Ontario 7⅜ 03	3000	101⅞	102	+⅛	7.16
Oster Kontrollbank 8½ 01	200	106¼	106½	+⅛	6.87
Portugal 5¾ 03	1000	92⅝	92⅞	+⅛	7.16
Quebec Hydro 9¾ 98	150	105⅞	106¼		6.80
Quebec Prov 9 98	200	103⅞	104		6.64
SAS 10 99	200	107	107½		6.98
SNCF 9½ 98	150	105⅛	105⅝	+⅛	6.47
Spain 6½ 99	1500	99⅞	100	+⅛	6.53
Sweden 6½ 03	2000	97⅞	98	+⅛	7.02
Tennessee Valley 6 00	1000	97⅝	97⅞	+⅛	6.73
Tennessee Valley 6⅜ 05	2000	95½	95⅝	+⅛	7.19
Tokyo Elec Power 6⅝ 03	1000	94⅞	94⅞		7.12
Toyota Motor 5⅝ 98	1500	99	99¼		6.24
United Kingdom 7¼ 02	3000	102¼	102½	+⅛	6.79
Walt Disney 6¾ 01	1300	97⅞	98⅛	+⅛	7.02
World Bank 6⅞ 05	1500	95¾	96		7.14
World Bank 8⅜ 99	1500	105⅝	105⅞		6.52
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	90¼	90⅝	+⅛	7.33
Baden-Wuertt L-Finance 6 99	2000	102⅝	103		4.94
Credit Foncier 7¼ 03	2000	100⅝	100⅞		7.12
Denmark 6⅛ 98	2000	103	103¼		4.33
Depfa Finance 6⅞ 03	1500	99¼	99⅝		6.50
Deutsche Bk Fin 7½ 03	2000	104¾	105⅛	+⅛	6.58
EEC 6½ 00	2800	103⅝	103⅞		5.38
EIB 6⅛ 00	1500	102⅝	103	+⅛	5.41
Finland 7½ 00	3000	106¾	107		5.35
Italy 7¼ 98	5000	104½	104⅝	-⅛	4.28
LKB Baden-Wuertt 6½ 08	2250	96½	96⅝	+⅛	6.93
Norway 6⅛ 98	1500	103	103⅜		4.38
Ontario 6¼ 04	1500	97⅞	98	+⅛	6.61
Spain 7¼ 03	4000	104¼	104⅞		6.35

	Issued	Bid	Offer	Chg.	Yield
Sweden 8 97	2500	104⅞	105⅛		4.15
United Kingdom 7⅛ 97	5500	103⅞	104⅛		4.02
Volkswagen Intl Fin 7 03	1000	102	102¼	+⅛	6.63
World Bank 0 15	2000	30⅛	30¼	-⅛	6.36
World Bank 5⅞ 03	3000	98½	98⅝	+⅛	6.13
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	35	35½		5.50
Austria 4½ 00	1000	103¾	103⅞	+⅛	3.37
Council Europe 4¾ 98	250	102½	102¾	+⅛	3.13
Denmark 4¼ 99	1000	103⅛	103⅜	-⅛	3.21
EIB 3¾ 99	1000	101⅞	102		2.98
EIB 6¾ 04	300	112⅝	113⅛	+⅛	4.89
Finland 7¼ 99	300	110⅝	111		3.72
Iceland 7⅜ 00	100	113	113½	+¼	4.09
Inter Amer Dev 4¼ 03	600	102⅛	102½	+⅛	4.39
Ontario 6¼ 03	400	109¼	110	+¼	4.58
Quebec Hydro 5 08	100	100	100⅛	+¼	5.00
SNCF 7 04	450	114½		-¼	4.82
Sweden 4¼ 03	500	101¾	102	+⅛	4.46
World Bank 0 21	700	25½	26	-⅛	5.53
World Bank 7 01	600	112¼	112½		4.06
YEN STRAIGHTS					
Belgium 5 99	75000	109⅞	110		2.04
Credit Foncier 4¾ 02	75000	105⅛	105⅞	-⅛	3.79
EIB 6⅝ 00	100000	115¾	116		2.14
Ex-Im Bank Japan 4⅜ 03	105000	108⅞	108⅞	+⅛	3.07
Inter Amer Dev 7¼ 00	30000	118½	118¾		2.20
Italy 3½ 01	300000	103⅞	104	+⅛	2.68
Italy 5 04	200000	112¼	112½	+¼	3.31
Japan Dev Bk 5 99	100000	109⅜	109⅜		1.91
Japan Dev Bk 6½ 01	120000	119⅝	119½	+⅛	2.49
SNCF 6¾ 00	30000	115⅞	116⅛		2.18
Spain 5⅜ 02	125000	115⅛	115¼	+⅛	2.76
Sweden 4⅝ 98	150000	105⅛	105⅜		1.33
World Bank 5¼ 02	250000	113⅞	113⅞	+⅛	2.83
OTHER STRAIGHTS					
Bayerische LB Giro 8⅛ 04 LFr	2000	107½	108	-¼	6.91
Tractebel Invest 6⅞ 04 LFr	1500	100⅝	101⅛		6.76
World Bank 6⅛ 04 LFr	2000				
ABN Amro 6⅞ 00 Fl	1000	104⅛	104½	-¼	5.37
Austria 6½ 99 Fl	1000	104⅛	104⅜		4.90
Bell Canada 10⅞ 99 C$	150	109¾	110¼	+¼	6.94
British Columbia 7¾ 03 C$	1250	101⅜	101⅝	+⅜	7.63
Canada Mtg & Hsg 8¼ 99 C$	1000	104¼	104½	+¼	6.82
EIB 10⅛ 98 C$	130	106¼	106⅝	+⅛	6.07
Elec de France 9¾ 99 C$	275	107⅞	108¼	+¼	6.89
KfW Intl Fin 10 01 C$	400	110¼	110¾	+¼	7.31
Nippon Tel Tel 10¼ 99 C$	200	109⅞	109¾	+¼	6.94
Ontario 8 03 C$	1500	102⅝	102⅞	+⅜	7.83
Ontario Hydro 10⅞ 99 C$	500	110¼	110½	+¼	6.63
Oster Kontrollbank 10¼ 99 C$	150	109⅛	109⅝	+⅛	6.84
Quebec Hydro 7 04 C$	1000	94⅞	95	+⅜	8.04
Quebec Prov 10½ 98 C$	200	108⅛	108½	+⅛	6.80
Council Europe 9 01 Ecu	1100	111¼	111½		6.46
Credit Foncier 8¾ 04 Ecu	1000	103	103⅝	+⅛	7.83
Denmark 8½ 02 Ecu	1000	109⅝	109⅞	-⅛	6.45
EC 6 00 Ecu	1100	101⅛	101½	-⅛	5.69
EIB 10 01 Ecu	1150	114⅝	114⅞		6.20
Ferro del Stat 10⅛ 98 Ecu	500	106⅞	107⅛		5.23
Italy 10¾ 00 Ecu	1000	115	115⅜		6.17
United Kingdom 9⅛ 01 Ecu	2750	111½	111⅞	+⅛	6.18
AIDC 10 99 A$	100	103¼	103⅝		8.70
Comm Bk Australia 13¾ 99 A$	100	113¼	113¾		8.80
EIB 7¾ 99 A$	350	99⅞	100¼	+⅛	7.95
NSW Treasury Zero 0 20 A$	1000	11¾	12⅛	-⅛	9.18
R & I Bank 7¾ 03 A$	125	93⅞	94⅜	+¼	8.97
State Bk NSW 9 02 A$	300	101½	101⅞	+½	8.65
Sth Aust Govt Fin 9 02 A$	150	101	101⅜	+⅜	8.77
Unilever Australia 12 98 A$	150	105⅛	105⅜		8.53
Western Aust Treas 7⅝ 03 A$	100	95⅞	95⅜		8.28

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	100¼	100½	+¼	7.94
British Land 8⅞ 23 £	150	90⅜	90¾		10.14
Denmark 6¾ 98 £	800	100⅛	100⅜		6.67
Depfa Finance 7⅛ 03 £	500	95⅛	95¼	+¼	8.02
EIB 8 03 £	1000	101⅛	101¼	+¼	7.78
Glaxo Wellcome 8¾ 05 £	500	101¾	102	+⅛	8.46
Hanson 10⅜ 97 £	500	104½	104¾		6.58
HSBC Holdings 11.69 02 £	153	115¾	116¼	+⅛	8.28
Italy 10½ 14 £	400	119¼	119⅝	+⅛	8.86
Japan Dev Bk 7 00 £	200	99¼	99⅝		7.20
Land Secs 9½ 07 £	200	105⅛	105⅝	+¼	8.74
Ontario 11⅛ 01 £	100	112⅞	113⅛	+¼	7.68
Powergen 8⅞ 03 £	250	103⅝	103⅞	+¼	8.14
Severn Trent 11½ 99 £	150	111	111¼	+¼	7.31
Tokyo Elec Power 11 01 £	150	113	113¼	+¼	7.72
TCNZ Fin 9¼ 02 NZ$	75	100¼	101¼	-¼	9.19
World Bank 12½ 97 NZ$	250	103	103½	+⅛	9.68
Credit Local 6 01 FFr	7000	100½	100⅝	+⅛	5.88
Denmark 5½ 98 FFr	7000	100⅝	101⅛		5.20
Elec de France 8¾ 22 FFr	3000	115⅝	116		7.38

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.89	99.96	5.4766
Banksmerica ⅛ 99	750	99.93	100.03	5.7363
Canada -⅛ 99	2000	99.64	99.71	5.2500
CCCE 0 06 Ecu	300	99.54	99.73	4.2675
Commerzbk O/S Fin -⅛ 98	750	99.77	99.85	5.3555
Credit Lyonnais 1/16 00	300	98.19	98.81	5.5000
Credit Lyonnais 0.30 98	1250	100.00	100.10	5.7893
Denmark -⅛ 97	1000	99.95	100.02	5.4141
Dresdner Finance 1/16 98 DM	1000	100.00	100.08	3.2812
Fed Nat Mort -3/16 00	1000	99.64	99.77	5.0977
Finland 0 97	1000	100.07	100.13	5.4492
Finland -⅛ 99	1500	99.91	99.98	5.3750
Halifax BS 0 99	500	100.07	100.15	5.5391
IMI Bank Intl ¼ 99	500	100.36	100.46	5.7305
Italy 1/16 99	1500	100.23	100.28	5.5430
LKB Baden-Wuert Fin -⅛ 98	1000	99.95	100.01	5.4766
Lloyds Bank Perp S 0.10	600	84.80	85.76	5.3500
Malaysia 1/16 05	650	99.81	99.93	5.5625
New Zealand -⅛ 99	1000	99.96	100.00	5.4453
Nova Scotia 3/16 99	500	99.97	100.05	5.6875
Ontario 0 99	2000	99.98	100.08	5.4805
Portugal 1/16 99 DM	2500	100.16	100.26	3.4102
Quebec Hydro 0 99	500	99.60	99.73	5.8352
Renfe 0 98	500	99.75	99.90	5.4375
State Bk Victoria 0.05 99	125	99.94	100.08	5.8469
Sweden -⅛ 01	2000	99.86	99.96	5.3750

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Allied-Lyons 6¾ 08 £	200	6.04	96⅞	96⅞	+29.70
EE Finance 6⅛ 08 £	438	6.4	100	100⅝	+37.60
Gold Kalgoorlie 7½ 00	65	1.37	116½	118	+17.36
Grand Metropolitan 6½ 00	710	4.37	109⅞	109¼	+14.93
Hanson America 2.39 01	420	29.6375	85⅛	85⅞	+87.48
Hong Kong Land 4 01	410	31.05	84¼	85¼	-15.43
Land Secs 6¾ 02 £	84	6.72	98⅞	100⅛	+6.11
Lasmo 7¾ 05 £	90	5.64	91¼	92⅛	
Mitsui Bank 2⅝ 03	200	2332.6	80⅞	82⅛	-32.69
Natl Power 6¼ 08 £	250	4.33	118⅞	120⅛	-1.77
Ogden 6 02	85	39.077	89⅞	91⅞	+78.96
Pennzoil 4¾ 03	500	56.8007	109⅝	109¼	+8.89
Sappi BVI Finance 7½ 02	250	76	89	94	+76.88
1 3/8 00 JPY 40bl 1⅜ 00	40000	1059.4	103⅛	104⅛	+8.43
Sumitomo Bank 3⅛ 04	300	3606.9	83⅛	84⅛	+24.16
Sun Alliance 7¼ 08 £	155	3.9	104⅛	105⅛	+10.15
Transatlantic Hldgs 5½ 09 £	250	5.05	86⅞	88⅞	+18.70

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 3pc 1996	0.91	5.48	219⅛	—	219⅛	210⅞
Conversion 10pc 1996	9.85	5.69	101⅝	—	104⅛	101⅝
Treas 13¼pc 1997‡‡	12.74	5.69	104⅛	-⅛	108⅝	104⅛
Exch 10½pc 1997	10.19	5.89	103	—	105⅝	103
Treas Cnv 7pc 1997‡‡	6.92	5.77	101⅛	—	101¾	99⅞
Treas 8¾pc 1997‡‡	8.49	5.90	103⅛	—	104⅛	102⅝
Exch 15pc 1997	13.48	5.93	111⅛	—	116⅛	111⅛
Exch 9¾pc 1998	9.27	6.15	105⅛	—	107⅛	104⅛
Treas 7¼pc 1998‡‡	7.14	6.28	101⅛	—	102⅛	99⅛
Treas 6¾pc 1995-98‡‡	6.72	6.50	100⅛	—	101	97⅛
Treas 15½pc '98‡‡	13.06	6.48	118½	—	123⅛	117⅝
Exch 12pc 1998	10.75	6.61	111⅝	—	114⅝	111⅛
Treas 9½pc 1999‡‡	8.92	6.65	106⅛xd	+⅛	108⅛	104⅞
Treas Fltg Rate 1999	-	-	99⅞	—	100⅛	99⅞
Exch 12¼pc 1999	10.80	6.74	113⅝	+⅛	116⅞	112⅞
Treas 10½pc 1999	9.59	6.78	109½	+⅛	112⅛	108⅛
Treas 6pc 1999 ‡‡	6.14	6.82	97⅝	+⅛	98⅞	93⅛
Conversion 10¼pc 1999	9.34	6.95	109⅝	+⅛	112⅝	108
Conv 9pc 2000‡‡	8.47	7.02	106¼	+⅛	108⅝	103⅞
Treas 13pc 2000	10.81	7.14	120⅛xd	+⅛	124⅞	119⅛
Treas 14pc 1998-1	12.35	6.36	113⅜	—	117⅛	113⅛
Treas 8pc 2000‡‡	7.75	7.14	103⅛	+⅛	105⅝	99⅝
Treas Fltg Rate 2001	-	-	99⅞	—	99⅞	99¼
Treas 10pc 2001	9.04	7.26	110⅝	+⅛	114	108⅛
Five to Fifteen Years						
Treas 7pc 2001 ‡‡	7.11	7.32	98½	+⅛	101⅛	94⅛
Treas 9¾pc 2002	8.79	7.50	110⅞	+⅛	114⅝	107⅞
Treas 8pc 2003‡‡	7.83	7.58	102⅛	+⅛	105⅝	99⅛
Treas 10pc 2003	8.86	7.62	112⅝	+⅛	117⅛	109⅝
Treas 11½pc 2001-4	9.91	7.40	116⅛	+⅛	119⅝	114⅛
Funding 3½pc 1999-4	4.33	6.58	80⅛xd	+⅛	83⅛	73⅛
Conversion 9½pc 2004	8.61	7.77	110⅜	+⅛	114⅛	106⅛
Treas 6¾pc 2004‡‡	7.20	7.77	93⅝	+⅛	96⅝	89½
Conv 9½pc 2005	8.60	7.83	110⅝	+⅛	114⅝	107⅛
Treas 12½pc 2003-5	9.90	7.75	126⅛	+⅛	131⅞	123⅝

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 8½pc 2005‡‡	8.16	7.83	104⅛	+¼	108⅝	101
Treas 7½pc 2006‡‡	7.72	7.88	97⅛	+¼	101⅛	94⅞
Treas 7¾pc 2006‡‡	7.85	7.92	98⅝	+⅛	103¼	95⅛
Treas 8pc 2002-6‡‡	7.95	7.89	100⅝	+⅛	104⅛	98⅛
Treas 11¾pc 2003-7	9.75	7.87	120⅛	+¼	125⅛	118⅛
Treas 8½pc 2007 ‡‡	8.18	7.95	103⅞	+¼	108⅝	100⅛
Treas 13½pc 2004-8	10.17	7.77	132⅝	+⅛	138⅛	130⅛
Treas 9pc 2008 ‡‡	8.36	8.00	107⅛	+¼	112⅛	104⅛
Treas 8pc 2009	8.04	8.04	99⅛	+⅛	104½	96⅛
Treas 6 1/4pc 2010	7.42	8.12	84⅛	+¼	88⅛	81⅛
Over Fifteen Years						
Conv 9pc Ln 2011 ‡‡	8.37	8.11	107½xd	+¼	112⅛	104⅞
Treas 9pc 2012‡‡	8.37	8.15	107⅛	+⅛	113⅛	104⅝
Treas 5½pc 2008-12‡‡	7.05	7.92	78	+⅛	82⅛	75⅛
Treas 8pc 2013‡‡	8.15	8.19	98⅛	+¼	103⅛	95⅛
Treas 7¾pc 2012-15‡‡	8.12	8.21	95⅛	+⅛	101⅛	93⅛
Treas 8pc 2015	8.16	8.19	98⅛	+⅛	104⅛	95⅛
Treas 8¾pc 2017‡‡	8.33	8.28	105	+⅛	111⅝	102½
Exch 12pc 2013-17	8.88	8.28	133⅛	+⅛	141⅛	130⅛
Treas 8pc 2021	8.08	8.19	97⅞	+¼	97⅛	95⅛
Undated						
Consols 4pc	8.43	-	47⅛	—	50⅛	46⅛
War Loan 3½pc‡‡	8.24	-	42½	+⅛	45⅛	41⅛
Conv 3½pc '61 Aft	5.88	-	59⅛	—	62⅛	58⅛
Treas 3pc '66 Aft	8.42	-	35⅞	—	38⅛	34⅛
Consols 2½pc	8.18	-	30⅛xd	—	32⅞	29⅛
Treas. 2½pc	8.27	-	30⅛	-¼	32⅛	28⅛

Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
Index-Linked (b)						
4⅛pc '98‡‡ (135.6)	1.07	2.55	113⅝	+⅛	113⅝	111⅛
2pc '01 (78.3)	3.07	3.60	180⅛	+⅛	180⅛	174⅝
2½pc '03 (78.8)	3.30	3.70	175⅝	+⅛	176⅛	170⅝
4⅜pc '04‡‡ (135.6)	3.36	3.72	114⅝	+⅛	115⅝	112⅛
2pc '06 (69.5)	3.45	3.73	183⅛	+⅛	185⅛	179
2½pc '09 (78.8)	3.53	3.76	164⅛	+⅛	167⅛	161⅛
2½pc '11 (74.6)	3.58	3.78	170⅛	+⅛	173⅛	166⅛
2½pc '13 (89.2)	3.60	3.79	140⅛	+⅛	143	138⅛
2½pc '16 (81.6)	3.64	3.81	146⅛	+⅛	152¼	145⅛
2½pc '20 (83.0)	3.66	3.83	142½	+⅛	146⅛	138⅛
2½pc '24‡‡ (97.7)	3.67	3.80	118⅛	+⅛	122⅛	115⅛
4⅛pc '30‡‡ (135.1)	3.67	3.81	116⅛	+⅛	120⅛	113⅛

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for October 1995: 149.8 and for May 1996: 152.9.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.95	8.37	114½	—	120	111⅛
B'ham 11½pc 2012	9.37	8.86	122¾	—	126	119½
Ireland Cap 8½pc '10	8.94	-	105¾	—	108	102½
9pc Cap 1996	8.65	-	104	—	104¼	104
13pc '97-2	11.72	-	110⅞	—	111⅞	110¼
Hydro Quebec 15pc 2011	10.15	9.08	147⅞	—	152⅛	142⅛
Leeds 13½pc 2006	10.27	-	131½	—	136½	129
Liverpool 3½pc Irred	9.09	-	38½	—	41	33
LCC 3pc '20 Aft	9.09	-	33	—	35	27⅛
Manchester 11½pc 2007	9.56	8.68	120¾	—	124½	117
Met. Wtr. 3pc 'B'	3.85	7.80	76	—	76	70
N'wide Anglia 3⅞pc 2021	-	4.80	139½	—	143½	133
4⅛pc IL 2024	-	4.58	135	—	140⅝	130½
Utd Mex States 16½pc 2008	12.64	-	130½	—	136⅞	117½

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.
Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

Markets await US data as Yeltsin win brings relief

By Graham Bowley

Currency markets generally lacked direction yesterday with US exchanges on holiday for Independence Day and as traders waited for important US employment data today.

The dollar lacked impetus after the US FOMC left interest rates unchanged after its meeting ended on Wednesday. Attention is now turning to a possible rate rise at the next meeting in August.

The dollar finished little altered in London at DM1.5235, from DM1.5252. Against the yen it closed at Y110.375.

The French franc remained stable after the Bank of France lowered the intervention rate from 3.6 per cent to 3.55 per cent. The franc closed at FFr3.381 against the D-Mark.

The decisive victory for President Boris Yeltsin in the Russian presidential election brought some relief to investors who had feared a communist win. The D-Mark which suffered slightly in anticipation of a communist victory enjoyed a better day yesterday.

President Yeltsin's victory prompted a rally in most central European currencies, although the Russian rouble was largely unmoved.

The Czech koruna rallied strongly as investors were attracted by high long-term interest rates on Treasury bonds and the expectation that short-term interest rates may rise further.

The Indonesian rupiah came under pressure on rumours that President Suharto was in ill health. The rumours were later denied.

Sterling was little changed, closing at DM2.3770, from DM2.3777. Against the dollar it closed at $1.5603, from $1.5590.

■ **Pound in New York**

Jul 3	— Close —	— Prev. close —
£ spot	1.5630	1.5585
1 mth	1.5627	1.5582
3 mth	1.5625	1.5580
1 yr	1.5642	1.5589

■ The strong support for President Yeltsin in the final round of the Russian elections was a sign that the populace is finally turning its back on the communist past, analysts said.

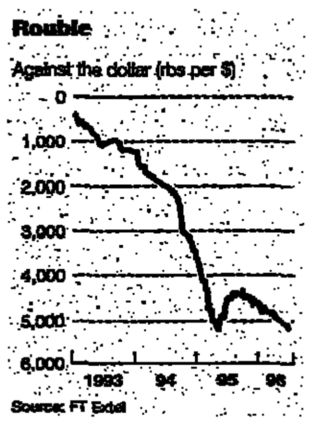
"The reform process is now more secure and is not just dependent on one personality," said Mr Paul Meggyesi, senior currency strategist at Deutsche Morgan Grenfell in London.

He said the D-Mark was still troubled by some concern about President Yeltsin's poor health and about who would succeed him. But he said this was now less of a negative factor following the strong support for reform displayed in the vote.

■ The D-Mark hardly moved yesterday in spite of stronger than expected orders data. The figures, along with industrial production numbers earlier this week, reinforced the view of a strengthening German economy, analysts said.

"The economic data is beginning to provide some support for the D-Mark, with worries about the weak economy and lower interest rates less of a drag on the currency," said Mr Meggyesi.

Rouble



Source: FT Extel

Mr Hans Tietmeyer, Bundesbank president, added to the debate on European monetary union. He said Emu offered Europe a chance of permanent currency stability but that it was not a guarantee of it. He said Emu's success depended on the careful selection of member nations and their willingness to agree to more political integration, including areas like fiscal discipline.

■ The Bank of France's surprise decision to trim the intervention rate could be a signal that interest rates could move lower, but the room for further cuts was limited by German interest rate policy, analysts said.

"It is a symbolic gesture but the Bank of France will have minimum scope for further cuts as long as the Bundesbank keeps rates on hold," said one analyst.

The Italian lira failed to breach the key L1,000 level against the D-Mark. This was in spite of growing optimism about the currency following the decision on Wednesday by Moody's, the international debt agency, to upgrade Italy's rating. The lira closed in London against the D-Mark at L1,004, from L1.006.

■ The Indonesian rupiah's sharp fall following rumours that President Suharto had suffered a heart attack slowed after the president later appeared in public.

But the currency came under further pressure on reports that the leader of the country's opposition party had filed a huge law suit against the government.

Mr Steve Jennions, emerging markets analyst at Banque Indosuez in London, said there was growing concern in the market about the lack of an apparent successor for the president, who has been in power for 30 years.

■ **OTHER CURRENCIES**

Jul 4	£	$
Czech Rp	42.6662 - 42.7365	27.3660 - 27.3869
Hungary	234.032 - 234.215	150.030 - 150.080
Iran	4681.80 - 4679.70	3000.00 - 3000.00
Kuwait	0.4677 - 0.4680	0.2996 - 0.2999
Poland	4.2414 - 4.2456	2.7190 - 2.7205
Russia	8003.85 - 8010.55	5131.00 - 5133.00
U.A.E.	5.7292 - 5.7322	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jul 4		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.7269	-0.0049	212 - 365	16.7519	16.6957	16.6976	2.2	16.6227	2.5	-	-	104.8
Belgium	(BFr)	48.9263	-0.0575	075 - 451	48.9930	48.8080	48.8313	2.3	48.6413	2.3	47.8513	2.2	106.3
Denmark	(DKr)	9.1579	-0.0036	543 - 615	9.1816	9.1378	9.1441	1.8	9.1236	1.5	9.018	1.5	107.3
Finland	(FM)	7.2802	-0.0329	546 - 657	7.2840	7.2460	7.2558	0.7	7.2477	0.7	-	-	83.5
France	(FFr)	8.0364	-0.0016	338 - 390	8.0392	8.0133	8.0242	1.8	8.0015	1.7	7.9061	1.6	109.0
Germany	(DM)	2.3770	-0.0007	760 - 780	2.3787	2.3705	2.3725	2.2	2.3635	2.3	2.3247	2.2	108.1
Greece	(Dr)	373.274	+0.003	066 - 483	375.186	370.916	-	-	-	-	-	-	67.8
Ireland	(I£)	0.9750	-0.0009	745 - 756	0.9768	0.9737	0.9745	0.6	0.9733	0.7	0.9688	0.6	99.8
Italy	(L)	2385.70	-7.13	400 - 741	2387.76	2375.81	2391.25	-2.8	2401.1	-2.6	2433.8	-2.0	77.1
Luxembourg	(LFr)	48.9263	-0.0575	075 - 451	48.9930	48.8080	48.8313	2.3	48.6413	2.3	47.8563	2.2	106.3
Netherlands	(Fl)	2.6667	+0.0003	656 - 677	2.6678	2.6557	2.6608	2.7	2.6496	2.7	2.6009	2.5	105.4
Norway	(NKr)	10.1370	-0.0028	323 - 416	10.1426	10.1095	10.1265	1.0	10.1115	1.0	10.028	1.1	98.7
Portugal	(Es)	244.179	-0.233	046 - 312	244.583	243.968	244.604	-2.1	245.509	-2.2	-	-	94.6
Spain	(Pta)	199.923	-0.059	854 - 991	200.432	199.838	200.183	-1.6	200.668	-1.6	202.098	-1.1	80.4
Sweden	(SKr)	10.3755	-0.0299	655 - 855	10.4011	10.3339	10.3758	0.0	10.3759	0.0	10.3739	0.0	90.1
Switzerland	(SFr)	1.9580	+0.0014	567 - 592	1.9602	1.9530	1.953	3.1	1.9422	3.2	1.894	3.3	110.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	86.8
Ecu	-	1.2534	-0.0003	528 - 539	1.2545	1.2506	1.2521	1.2	1.2491	1.4	1.2358	1.4	-
SDR†	-	1.080900	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5581	+0.0012	576 - 586	1.5632	1.5574	-	-	-	-	-	-	-
Brazil	(R$)	1.5677	+0.0006	671 - 682	1.5709	1.5664	-	-	-	-	-	-	-
Canada	(C$)	2.1211	-0.0003	202 - 219	2.1269	2.1198	2.1204	0.4	2.1168	0.8	2.1067	0.6	84.8
Mexico	(New Peso)	11.8720	+0.0088	662 - 777	11.8777	11.8508	-	-	-	-	-	-	-
USA	($)	1.5603	+0.0013	599 - 606	1.5637	1.5589	1.5599	0.3	1.5597	0.1	1.5606	0.0	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9892	-0.0051	881 - 903	1.9996	1.9880	1.9918	-1.5	1.9968	-1.5	2.0221	-1.7	93.0
Hong Kong	(HK$)	12.0775	+0.0101	744 - 806	12.1030	12.0679	12.0694	0.8	12.0578	0.7	12.038	0.3	-
India	(Rs)	54.7492	+0.262	589 - 395	54.8850	54.6430	-	-	-	-	-	-	-
Israel	(Shk)	4.9818	+0.0016	781 - 855	5.0186	4.9744	-	-	-	-	-	-	-
Japan	(Y)	172.213	-0.168	119 - 306	172.470	171.580	171.488	5.1	169.998	5.1	163.583	5.0	132.4
Malaysia	(M$)	3.8962	+0.0002	845 - 878	3.8967	3.8841	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2746	-0.0092	732 - 759	2.2876	2.2731	2.2796	-2.6	2.2891	-2.5	2.3229	-2.1	108.4
Philippines	(Peso)	40.8942	+0.0717	070 - 814	40.9667	40.8064	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8519	+0.0049	502 - 535	5.8643	5.8473	-	-	-	-	-	-	-
Singapore	(S$)	2.2023	-0.0015	002 - 043	2.2095	2.2002	-	-	-	-	-	-	-
South Africa	(R)	6.7684	+0.0203	629 - 738	6.7740	6.7535	-	-	-	-	-	-	-
South Korea	(Won)	1265.05	+8.81	461 - 549	1267.12	1258.81	-	-	-	-	-	-	-
Taiwan	(T$)	42.9568	+0.0032	440 - 696	43.0440	42.8569	-	-	-	-	-	-	-
Thailand	(Bt)	39.6304	+0.0146	059 - 548	39.7020	39.5800	-	-	-	-	-	-	-

† Rates for Jul 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.7219	-0.0118	194 - 244	10.7290	10.6870	10.7024	2.2	10.6604	2.3	10.4769	2.3	104.7
Belgium	(BFr)	31.3580	-0.062	530 - 630	31.4000	31.2690	31.303	2.1	31.188	2.2	30.648	2.3	106.1
Denmark	(DKr)	5.8695	-0.007	685 - 705	5.8712	5.8550	5.862	1.5	5.845	1.7	5.776	1.6	106.7
Finland	(FM)	4.6532	-0.0249	507 - 557	4.6682	4.6423	4.6467	1.7	4.6347	1.6	4.5892	1.4	82.6
France	(FFr)	5.1507	-0.0052	502 - 512	5.1520	5.1322	5.1437	1.6	5.1295	1.6	5.0617	1.7	108.6
Germany	(DM)	1.5235	-0.0017	232 - 238	1.5245	1.5190	1.521	2.0	1.5152	2.2	1.487	2.4	107.6
Greece	(Dr)	239.240	-0.19	160 - 320	240.350	237.280	240.915	-8.4	244.265	-8.4	258.24	-7.9	67.4
Ireland	(I£)	1.6003	+0.0027	998 - 008	1.6032	1.5990	1.6009	-0.4	1.6018	-0.4	1.5933	0.4	-
Italy	(L)	1529.05	-5.8	830 - 980	1529.91	1523.15	1533.8	-3.7	1541.95	-3.4	1564.7	-2.3	76.5
Luxembourg	(LFr)	31.3580	-0.062	530 - 630	31.4000	31.2690	31.305	2.0	31.1985	2.0	30.718	2.0	106.1
Netherlands	(Fl)	1.7091	-0.0013	088 - 094	1.7098	1.6991	1.7058	2.4	1.6986	2.4	1.6689	2.5	106.1
Norway	(NKr)	6.4970	-0.0071	955 - 985	6.4980	6.4811	6.494	0.5	6.4885	0.5	6.452	0.7	98.1
Portugal	(Es)	156.500	-0.275	450 - 550	156.580	156.350	156.815	-2.4	157.405	-2.3	159.55	-1.9	94.7
Spain	(Pta)	128.135	-0.14	120 - 150	128.400	127.900	128.385	-2.3	128.815	-2.1	130.355	-1.7	80.2
Sweden	(SKr)	6.6499	-0.0245	450 - 548	6.6552	6.6222	6.6609	-2.0	6.6784	-1.7	6.7204	-1.1	89.5
Switzerland	(SFr)	1.2549	-0.0001	544 - 554	1.2558	1.2514	1.2513	3.4	1.2439	3.5	1.2104	3.5	110.1
UK	(£)	1.5603	+0.0013	599 - 606	1.5637	1.5589	1.5599	0.3	1.5597	0.1	1.5606	0.0	86.3
Ecu	-	1.2449	+0.0013	446 - 451	1.2484	1.2445	1.2456	-0.7	1.2473	-0.8	1.2561	-0.9	-
SDR†	-	0.69410	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	0.9987	0.9984	-	-	-	-	-	-	-
Brazil	(R$)	1.0048	-0.0004	046 - 049	1.0050	1.0045	-	-	-	-	-	-	-
Canada	(C$)	1.3595	-0.0013	592 - 597	1.3606	1.3589	1.3593	0.1	1.3596	0.0	1.3624	-0.2	84.1
Mexico	(New Peso)	7.6090	-0.0005	070 - 110	7.6120	7.6020	7.7705	-25.5	7.9555	-18.2	9.719	-27.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2749	-0.0042	745 - 753	1.2784	1.2744	1.2769	-1.9	1.2804	-1.7	1.2981	-1.9	94.0
Hong Kong	(HK$)	7.7408	+0.0003	405 - 410	7.7412	7.7404	7.7415	-0.1	7.7433	-0.1	7.7703	-0.4	-
India	(Rs)	35.0900	+0.14	400 - 400	35.1600	35.0000	35.24	-5.1	35.545	-5.2	37.015	-5.5	-
Israel	(Shk)	3.1930	-0.0015	913 - 946	3.2150	3.1872	-	-	-	-	-	-	-
Japan	(Y)	110.375	-0.185	340 - 410	110.440	109.950	109.93	4.8	109.03	4.9	105.29	4.6	132.9
Malaysia	(M$)	2.4907	-0.0019	902 - 912	2.4920	2.4900	2.4916	-0.4	2.4977	-1.1	2.5212	-1.2	-
New Zealand	(NZ$)	1.4577	-0.0071	573 - 584	1.4629	1.4570	1.4608	-2.6	1.4666	-2.4	1.4912	-2.3	-
Philippines	(Peso)	26.2100	+0.025	600 - 600	26.2600	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 508	3.7509	3.7503	3.751	-0.1	3.7517	-0.1	3.7561	-0.1	-
Singapore	(S$)	1.4115	-0.0021	105 - 125	1.4135	1.4105	1.408	3.0	1.402	2.7	1.3765	2.5	-
South Africa	(R)	4.3380	+0.0095	355 - 405	4.3410	4.3250	4.3855	-13.1	4.4755	-12.7	4.813	-10.9	-
South Korea	(Won)	810.800	+5	700 - 900	811.300	809.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.5320	-0.02	300 - 340	27.5350	27.4850	27.537	-0.2	27.542	-0.1	-	-	-
Thailand	(Bt)	25.4000	-0.011	900 - 100	25.4250	25.3860	25.4967	-4.7	25.7025	-4.8	26.585	-4.7	-

† SDR rate per $ for Jul 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 3: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

July 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅜	3⅜	3⅜	3⅜	3½	7.00	2.50	-
week ago	3¼	3⅜	3⅜	3⅜	3½	7.00	2.50	-
France	3⅞	3⅞	3⅞	3⅞	[illegible]	3.60	-	5.60
week ago	3⅞	3⅞	3⅞	4⅛	4⅛	3.60	-	5.60
Germany	3⅜	3⅜	3⅜	3⅜	3⅝	4.50	2.50	3.30
week ago	3⅜	3⅜	3⅜	3⅜	3⅝	4.50	2.50	3.30
Ireland	5⅜	5¼	5⅜	5⅜	5⅝	-	-	6.25
week ago	5⅛	5¼	5⅜	5⅜	5⅝	-	-	6.25
Italy	9⅛	8⅞	8⅞	8⅞	8⅞	-	9.00	8.30
week ago	9⅜	8¾	8⅞	8⅞	8⅞	-	9.00	9.30
Netherlands	2⅞	2⅞	2⅞	3⅛	3¼	-	3.00	3.30
week ago	2⅝	2⅞	2⅞	3⅛	3¼	-	3.00	3.30
Switzerland	2⅛	2⅝	2⅝	2⅞	2⅞	5.00	1.50	-
week ago	1½	2⅝	2⅝	2⅞	2⅞	5.00	1.50	-
US	5⅜	5⅜	5½	5⅝	5⅞	-	5.00	-
week ago	5⅜	5⅜	5½	5⅝	6⅛	-	5.00	-
Japan	½	½	½	½	¾	-	0.50	-
week ago	½	½	½	½	¾	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5½	5⅝	5¾	6⅛	-	-	-
week ago	-	5½	5⅝	5¾	6⅛	-	-	-
US Dollar CDs	-	5.18	5.27	5.42	5.74	-	-	-
week ago	-	5.18	5.27	5.44	5.80	-	-	-
ECU Linked Ds	-	4⅝	4⅝	4⅝	4⅝	-	-	-
week ago	-	4⅝	4⅝	4⅞	4⅞	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜	-	-	-
week ago	-	3⅜	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 4	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES (MATIF)** Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.02	96.03	+0.03	96.05	96.02	13,656	71,024
Dec	95.83	95.84	+0.04	95.86	95.82	7,249	44,122
Mar	95.62	95.62	+0.05	95.62	95.58	1,347	29,334

■ **THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.54	96.56	+0.04	96.56	96.54	13278	194162
Dec	96.33	96.34	+0.04	96.35	96.33	15017	199928
Mar	96.06	96.06	+0.04	96.08	96.06	18078	148323
Jun	95.82	95.81	+0.04	95.83	95.80	8235	111184

■ **THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.96	91.96	+0.12	91.99	91.93	5300	60251
Dec	92.32	92.36	+0.11	92.37	92.32	3294	33233
Mar	92.42	92.48	+0.11	92.45	92.42	1550	20736
Jun	92.35	92.38	+0.12	92.38	92.34	405	11071

■ **THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.40	97.38	-0.02	97.41	97.35	4208	34822
Dec	97.18	97.20	-0.01	97.22	97.15	1721	19992
Mar	96.97	96.98	-0.01	97.00	96.97	507	8601
Jun	96.59	96.62	-0.02	-	-	0	1286

■ **THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.18	99.18	-	99.18	99.17	2030	n/a
Dec	98.82	98.81	-	98.82	98.80	2170	n/a
Mar	98.51	98.51	-	98.51	98.51	15	n/a

■ **THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.59	95.58	+0.03	95.59	95.57	530	7146
Dec	95.43	95.43	+0.03	95.45	95.42	162	4731
Mar	95.18	95.18	+0.05	95.19	95.18	91	2965
Jun	94.88	94.88	+0.05	94.88	94.88	10	2347

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

July 4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.72	16.42	4.858	1.993	4876	5.451	20.72	499.1	408.5	21.21	4.002	2.044	4.335	3.188	351.9	2.561
Denmark	(DKr)	53.43	10	8.775	2.596	1.065	2605	2.912	11.07	266.7	218.3	11.33	2.138	1.092	2.316	1.703	188.0	1.368
France	(FFr)	60.89	11.40	10	2.958	1.213	2969	3.319	12.62	303.9	248.8	12.92	2.437	1.244	2.639	1.941	214.3	1.559
Germany	(DM)	20.58	3.853	3.381	1	0.410	1004	1.122	4.266	102.7	84.10	4.367	0.824	0.421	0.892	0.656	72.44	0.527
Ireland	(I£)	50.18	9.393	8.242	2.438	1	2447	2.735	10.40	250.5	205.0	10.65	2.008	1.026	2.175	1.600	176.6	1.286
Italy	(L)	2.051	0.384	0.337	0.100	0.041	100.	0.112	0.425	10.23	8.378	0.435	0.082	0.042	0.089	0.065	7.217	0.053
Netherlands	(Fl)	18.35	3.434	3.013	0.891	0.366	894.6	1	3.802	91.56	74.95	3.892	0.734	0.375	0.795	0.585	64.57	0.470
Norway	(NKr)	48.25	9.032	7.925	2.344	0.962	2353	2.630	10	240.8	197.1	10.24	1.931	0.986	2.092	1.538	169.8	1.236
Portugal	(Es)	20.04	3.750	3.291	0.973	0.399	977.1	1.092	4.152	100.	81.86	4.251	0.802	0.410	0.869	0.639	70.52	0.513
Spain	(Pta)	24.48	4.581	4.020	1.189	0.488	1194	1.334	5.073	122.2	100.	5.193	0.979	0.500	1.061	0.780	86.14	0.627
Sweden	(SKr)	47.14	8.823	7.742	2.290	0.939	2299	2.569	9.769	235.3	192.6	10	1.886	0.963	2.043	1.503	165.9	1.207
Switzerland	(SFr)	24.99	4.677	4.104	1.214	0.498	1219	1.362	5.179	124.7	102.1	5.301	1	0.511	1.083	0.797	87.95	0.640
UK	(£)	48.93	9.158	8.036	2.377	0.975	2386	2.667	10.14	244.2	199.9	10.38	1.958	1	2.121	1.560	172.2	1.253
Canada	(C$)	23.07	4.318	3.789	1.121	0.460	1125	1.257	4.781	115.1	94.25	4.894	0.923	0.471	1	0.736	81.19	0.591
US	($)	31.37	5.871	5.151	1.524	0.625	1529	1.710	6.500	156.5	128.1	6.654	1.255	0.641	1.360	1	110.4	0.803
Japan	(Y)	28.41	5.318	4.667	1.380	0.566	1386	1.549	5.889	141.8	116.1	6.028	1.137	0.581	1.232	0.906	100.	0.728
Ecu		39.05	7.309	6.413	1.897	0.778	1904	2.128	8.093	194.9	159.5	8.284	1.563	0.798	1.693	1.245	137.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES (IMM) DM 125,000 per DM**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6581	0.6605	-	0.6608	0.6565	9,857	53,831
Dec	0.6606	0.6643	-	0.6644	0.6606	17	1,935
Mar	-	0.6684	-	-	-	265	288

■ **SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.8044	0.8029	-	0.8052	0.8004	5,116	35,901
Dec	0.8075	0.8092	-	0.8098	0.8075	15	1,168
Mar	-	0.8158	-	-	-	9	58

■ **JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.9155	0.9147	-	0.9170	0.9130	20,610	78,157
Dec	0.9245	0.9263	-	0.9275	0.9245	115	3,734
Mar	-	0.9379	-	-	0.9385	7	136

■ **STERLING FUTURES (IMM) £62,500 per £**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.5588	1.5620	-	1.5640	1.5560	5,472	47,090
Dec	1.5580	1.5628	-	1.5636	1.5580	27	1,083
Mar	-	1.5638	-	-	1.5570	1	6

UK INTEREST RATES

LONDON MONEY RATES

Jul 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 5	5$\frac{13}{16}$ - 5⅝	5$\frac{13}{16}$ - 5⅝	5¾ - 5$\frac{11}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$	6$\frac{1}{16}$ - 5$\frac{15}{16}$
Sterling CDs	-	-	5$\frac{23}{32}$ - 5$\frac{19}{32}$	5$\frac{23}{32}$ - 5$\frac{19}{32}$	5⅞ - 5$\frac{11}{16}$	5$\frac{13}{16}$ - 5⅞
Treasury Bills	-	-	5$\frac{21}{32}$ - 5$\frac{19}{32}$	5½ - 5½	-	-
Bank Bills	-	-	5$\frac{21}{32}$ - 5$\frac{19}{32}$	5$\frac{19}{32}$ - 5$\frac{17}{32}$	5$\frac{19}{32}$ - 5$\frac{17}{32}$	-
Local authority deps.	5$\frac{13}{16}$ - 5$\frac{11}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$	5$\frac{13}{16}$ - 5$\frac{11}{16}$	6$\frac{1}{16}$ - 6
Discount Market deps	5¾ - 5½	5¾ - 5⅝	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Certs of Tax dep. under £100,000 on Jun 28, 5.5318pc. ECGD fixed rate Stg. Export Finance. Make up day Ave. tender rate of discount on Jun 28, 1996. Agreed rate for period Jul 24, 1996 to Aug 25, 1996, Scheme II & III 7.20pc. Reference rate for period Jun 1, 1996 to Jun 28, 1996, Schemes IV & V 5.995pc. Finance House Base Rate 6pc from Jul 1, 1996

■ **THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.26	+0.03	94.30	94.26	13820	90257
Dec	94.11	94.15	+0.06	94.17	94.11	18290	81976
Mar	93.82	93.84	+0.06	93.85	93.80	4604	57742
Jun	93.35	93.38	+0.07	93.40	93.35	3900	41976
Sep	92.95	92.98	+0.07	93.00	92.94	1318	28525

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%**

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.11	0.15	0.15	0.08	0.25	0.57
9450	0.03	0.07	0.08	0.25	0.42	0.74
9475	0.01	0.03	0.05	0.48	0.63	0.96

Est. vol. total, Calls 850 Puts 2079. Previous day's open int., Calls 122043 Puts 91340

EMS EUROPEAN CURRENCY UNIT RATES

Jul 4	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.293	-0.003	-0.74	2.15	5
Ireland	0.792214	0.787050	+0.000838	-0.65	2.06	4
Netherlands	2.15214	2.15100	-0.00114	-0.05	1.45	0
Belgium	39.3960	39.4692	-0.005	0.19	1.21	-1
Germany	1.91007	1.91752	-0.00022	0.39	1.00	-4
Austria	13.4383	13.4959	-0.0011	0.43	0.97	-3
Portugal	195.792	197.065	+0.043	0.66	0.73	-4
France	6.40608	6.48124	-0.00069	1.17	0.22	-10
Denmark	7.28580	7.38768	-0.00107	1.40	0.00	-10
NON ERM MEMBERS						
Greece	292.867	301.143	+0.082	2.83	-1.39	-
Italy	2106.15	1924.01	-4.72	-8.65	11.00	-
UK	0.786652	0.807362	+0.001707	2.63	-1.20	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)**

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.520	4.07	4.20	4.39	0.03	0.11	0.32
1.530	3.08	3.34	3.59	0.05	0.25	0.52
1.540	2.17	2.56	2.87	0.10	0.46	0.85
1.550	1.32	1.92	2.27	0.19	0.77	1.13
1.560	0.64	1.35	1.72	0.45	1.18	1.58

Previous day's vol., Calls 8,031 Puts 5,896. Prev. day's open int., Calls 147,824 Puts 124,727

■ **THREE MONTH EURODOLLAR (IMM) $1m points of 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.26	94.26	-	94.27	94.24	81,298	425,231
Dec	93.98	93.98	-	93.99	93.94	138,561	434,311
Mar	93.79	93.78	-	93.79	93.77	128,335	299,910

■ **US TREASURY BILL FUTURES (IMM) $1m per 100%**

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.73	94.76	-	94.78	94.71	187	6,433
Dec	94.52	94.56	-	94.58	93.85	126	1,755
Mar	-	94.37	-	94.37	-	46	72

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS (LIFFE) DM1m points of 100%**

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9650	0.08	0.12	0.14	0.12	0.02	0.06	0.08	0.28
9675	0	0.02	0.04	0.05	0.19	0.21	0.23	0.46
9700	0	0	0.01	0.01	0.44	0.44	0.45	0.67

Est. vol. total, Calls 655 Puts 738. Previous day's open int., Calls 277925 Puts 304383

■ **EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%**

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9750	0.09	0.12	0.12	0.21	0.42	0.64
9775	0.03	0.06	0.06	0.40	0.61	0.83

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 9165 Puts 4925

■ **EUROLIRA OPTIONS (LIFFE) L1000m points of 100%**

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9175	0.35	0.75	0.95	0.12	0.14	0.24
9200	0.21	0.56	0.76	0.23	0.22	0.30
9225	0.11	0.41	0.60	0.38	0.30	0.39

Est. vol. total, Calls 1070 Puts 525. Previous day's open int., Calls 37139 Puts 18646

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	Royal Bk of Scotland	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	●Singer & Friedlander	5.75
AIB Bank	5.75	Financial & Gen Bank	7.00	●Smith & Williamson Secs	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	Scottish Widows Bank	5.75
Bank of Baroda	5.75	Girobank	5.75	TSB	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	United Bank of Kuwait	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Unity Trust Bank Plc	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Western Trust	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Whiteaway Laidlaw	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75	Yorkshire Bank	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
Citibank NA	5.75	●Leopold Joseph & Sons	5.75		
Clydesdale Bank	5.75	Lloyds Bank	5.75		
The Co-operative Bank	5.75	Meghraj Bank Ltd	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	* Mount Credit Corp	6.00		
Cyprus Popular Bank	5.75	NatWestminster	5.75		
		●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

INTERMARKET MULTICURRENCY FUND
Société d'Investissement à Capital Variable
2, boulevard Royal, Luxembourg
R.C. Luxembourg B-40487

Shareholders are kindly invited to attend the annual general meeting to be held on July 12, 1996 at 3.00 p.m. at the offices of Banque Internationale à Luxembourg S.A., 69, route d'Esch, Luxembourg with the following agenda:

1. Submission of the reports of the Board of Directors and of the Auditor;
2. Approval of the Statement of Net Assets and of the Statement of Operations for the year ended as of March 31, 1996;
3. Discharge to the Directors;
4. Statutory appointments;
5. Miscellaneous.

The shareholders are advised that no quorum is required for the items on the agenda of the annual general meeting and the decisions will be taken on simple majority of the shares present or represented at the meeting.

In order to attend the meeting the owners of bearer shares will have to deposit their shares five clear days before the meeting with Banque Internationale à Luxembourg, 69, route d'Esch, Luxembourg or with Banque Arabe et Internationale d'Investissement, 12, place Vendôme, 75001 Paris.

The Board of Directors

INTERMARKET FUND
Société d'Investissement à Capital Variable
2, boulevard Royal, Luxembourg
R.C. Luxembourg B-8.622

Shareholders are kindly invited to attend the annual general meeting to be held on July 12, 1996 at 12.00 a.m. at the offices of Banque Internationale à Luxembourg S.A., 69, route d'Esch, Luxembourg with the following agenda:

1. Submission of the reports of the Board of Directors and of the Auditor;
2. Approval of the Statement of Net Assets and of the Statement of Operations for the year ended as of March 31, 1996;
3. Discharge to the Directors;
4. Statutory appointments;
5. Miscellaneous.

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The Board of Directors

Notice of Interest Rates
To the Holders of
Banco Central del Uruguay
New Money Notes Due 2006
Debt Conversion Notes Due 2007

NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from July 8, 1996 to January 8, 1997 are detailed below:

Series Designation	Rate	Interest Amount	Interest Payment Date
[illegible]	[illegible]	[illegible]	January 8, 1997
[illegible]	[illegible]	[illegible]	January 8, 1997
[illegible]	[illegible]	[illegible]	January 8, 1997

July 3, 1996 CITIBANK, N.A., as Agent

COMMODITIES AND AGRICULTURE

Paris market opens doors to wheat futures trading

Andrew Jack reports on an innovation that only became possible after the repeal of a 60-year-old law

Trading starts this morning in the circular Bourse de Commerce building

The circular Bourse de Commerce building in central Paris acquires a new occupant this morning as trading begins in the market for the latest product launched by the Matif, the French financial futures market.

From 10.30am it will be host to daily trades in wheat futures – a product for which there has been a growing level of interest in the past few months after many years during which it was both unnecessary and illegal.

It was only last month that such trades became legal under French law. Legislation dating from 1936 under the country's socialist *Front Populaire* government explicitly banned speculation in wheat – a ruling reinforced by a decree of the Vichy government of Marshal Pétain in 1940.

The modification came in June this year, when the French parliament approved the lifting of the ban during discussions on the passage of a far broader bill for the reform of the financial services sector, designed to meet the European Union investment services directive.

It is also thanks to the EU that there is even a demand for wheat futures, making the Matif's market necessary. The creation of the Common Agricultural Policy with its intervention price for wheat severely reduced the uncertainty for producers and the fluctuation in prices among member states.

But reforms of the CAP undertaken since 1992 have cut the intervention price sharply – from FFr1,255 ($243) to FFr988 a tonne in the following year, with further declines since – while placing greater priority in the policy on direct aid per hectare.

In addition, the General Agreement on Tariffs and Trade accords that came into effect in 1995, have touched agricultural production, stressing greater openness of the markets, less subsidisation of exports and a reduction in internal support.

The result has been a significant degree of fluctuation in wheat prices in the past few years, with the market price always higher than the residual intervention price, and a corresponding growth in demand for a way to hedge against this uncertainty.

While it is better known for financial products, which dominate its turnover, the move of the Matif into commodities is nothing new.

Two years after its creation in 1986, it merged with the former French exchange that already traded in coffee, cocoa and sugar futures. White sugar and potatoes futures are still traded, though those in cocoa and coffee have been abandoned.

Its own direct ventures into the field began with the colza or rapeseed contract launched in October 1994. The relative success of the contract, which was viewed as a trial run for other products, inspired a more detailed consideration of wheat futures, beginning with a study launched in June last year.

The potential is enormous. Wheat and rice are the two most widespread cereal products in the world, and the EU is the second largest producer after China, with 15.8 per cent of the market in 1994-95, and the third largest exporter.

However, the Matif is not alone in the market. The Netherlands launched its own wheat contracts at the start of last month and the London Commodity Exchange contract has been trading for many years. Other competitors may yet follow.

Matif's executives argue that their experience with the colza contract already gives them experience in commodity trades, that there are a number of common clients for rapeseed and wheat who will be tempted by the new market, and that France's important role in wheat production gives it a competitive edge.

Today was chosen for the start of operations so that any initial glitches could be ironed out over the weekend after a single day's trading. There are eight clearing members and a further six authorised commodities brokers, who must clear their trades through the clearing members each day.

Officials have been reluctant to provide any forecasts of how the trading will develop. However, some market professionals believe that after a possible slow start, the market could be trading 500 to 1,000 lots a day within three years.

Copper price fall stalls Chilean mine project

By Bernard Simon in Toronto

Tumbling copper prices have forced a delay in development of the US$240m Lomas Bayas copper mine in northern Chile.

The project's owner, British Columbia-based Gibraltar Mines, said it was unable to secure a firm underwriting commitment for US$160m in debt financing required before construction could begin.

Gibraltar hoped to announce a go-ahead for the mine this week, with production scheduled to start in early 1998. Initial output was set at 60,000 tonnes of copper a year, with a possibility of raising the target to 90,000 tonnes.

The company, which is 31 per cent owned by Placer Dome, the international gold producer, said talks with prospective lenders were continuing and "alternative options to expedite a production decision are being evaluated".

It added that "the question is not whether we have a mine but when it will be built".

A number of other projects may also be in jeopardy as a result of recent turmoil in the copper market – Cyprus Amax, the large US producer, indefinitely shelved a planned US$200m share offering last month.

Gibraltar shares lost C$1.15 to C$5.50 in early trading on the Toronto Stock Exchange yesterday.

Uganda plans land give-away in drive for cotton revival

Uganda will give land to large investors as part of its plan to revive the cotton industry, reports Reuters from Kampala.

Outgoing trade and industry minister Mr Richard Kaijuka said investors with $50m would qualify.

"We are talking to investors in Israel, Egypt and South Africa to invest in large-scale farming of cotton," he said. "The plan is to boost production to around 1m bales [408lb each] per year in four or five years time. That way it will be economical for the investors to construct textile mills in the way it happened in Mauritius."

Mr Kaijuka said the government would buy land to give to investors.

Ugandan cotton production slumped during the chaotic rule of Idi Amin. Output in the current season (December-November) is put at 55,000 bales, against a peak of 445,003 in 1965-66.

Officials expect a rise to 150,000 bales in 1996-97.

Uganda has been trying to revive its cotton industry since 1993 with the help of a $51m World Bank loan and donors see textiles as a key to Uganda's economic recovery.

Industry reforms included selling the state buying monopoly and government-owned ginneries to private operators. Now farmers earn more from private buyers than they did from the Lint Marketing Board, which took cotton on credit, officials said.

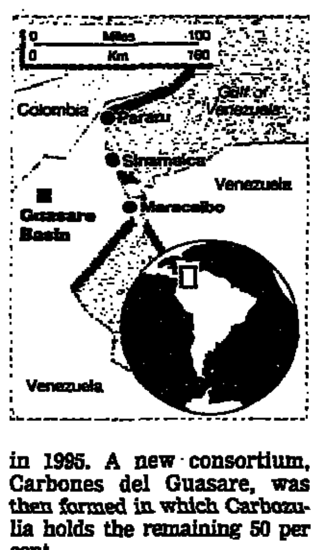
The government's quality drive includes distribution of free seed that produces the longer, firmer fibres sought by producers of polyester-mix fabrics, officials said. Farmers are also being urged to use fertiliser to more than double current yields.

Mr Kaijuka said the government would keep encouraging small growers but did not see them emerging as major players.

President Yoweri Museveni was expected to name a new government yesterday following parliamentary and presidential elections.

Venezuelan coal mine set for 350% output boost

By Ray Colitt in Caracas



Ruhrkohle AG and Shell Coal International along with their Venezuelan partner Carbozulia, a subsidiary of the state oil company PDVSA, have presented plans to invest about $1bn to boost coal production in their Carbones del Guasare joint-venture from the current 4m tonnes a year to 18m tonnes annually in four to five years' time.

The Guasare basin is located in north-western Venezuela close to the Colombian border and its coal deposits are similar to those in the nearby El Cerrejon valley in eastern Colombia.

The open-pit Paso Diablo mine is at present producing some 4m tonnes of high quality coal annually, all of which is exported to Europe and the US. Under the planned expansion its production capacity will go up to 8m tonnes a year by the year 2001. During the same period the parallel development of the Socuy mine would result in the annual production of at least an equal amount.

The increased output would be shipped out of a deep-sea terminal to be constructed at Pararu on the Gulf of Venezuela some 100km north of the city of Maracaibo. This terminal could service ships with a capacity of up to 200,000 tonnes, compared to the 50,000 tonne ships that can be handled by the company's current shallow-water port. In the meantime Carbones de Guasare is considering the use of smaller ports along the Caribbean coast as well as on Lake Maracaibo.

With coal now being transported by truck from the mine to the port, a 90km railway, which would dramatically reduce transportation costs, is also on the drawing board.

"This is one of the world's largest coal development projects," said a executive of Ruhrkohle, who added that there was strong demand for the coal, which had a low sulphur content, a high caloric value and produced little ash. Carbones de Guasare estimates surface mineable reserves at 400m to 500m tonnes and 30m to 50m tonnes of underground reserves, though the latter figure could be increased following a current reappraisal of the mineral deposit.

With PDVSA's resources committed to an aggressive plan to increase petroleum production while at the same time, under political pressure, helping to finance the government's budget deficit, Carbozulia may well be strapped for cash and seek outside financing.

"Though the capital requirements are perhaps small by comparison," said one executive at Carbones del Guasare, "I don't think this project will be equity financed". He added that the technical design was being completed, though the financial blueprint was not expected to be be ready until early next year.

Ruhrkohle and Shell each acquired a 25 per cent share in the Paso Diablo mine when Agip sold its 50 per cent stake in 1995. A new consortium, Carbones del Guasare, was then formed in which Carbozulia holds the remaining 50 per cent.

Importance of cocoa quality checks stressed

Ghana must keep up-country cocoa quality checks in place despite donor-backed moves to streamline the sector because they cost less than the sales premium they safeguard, a senior Ghana Cocoa Board (Cocobod) said here yesterday, reports Reuters from Abidjan, Ivory Coast.

"For any restructuring which is to be carried out the first consideration is that it should not affect cocoa quality," Mr James Amoah, head of policy planning, monitoring and research at Cocobod, the state-run cocoa marketing agency, told a UN Common Fund for Commodities workshop.

Ghana's is widely regarded as best quality cocoa and often attracts a £30-a-tonne premium over terminal market prices. Many other origins sell at a discount.

"If you remove up-country quality control and check quality at the ports. . . there is no saving," said Mr Amoah.

Cocoa traders say donor-backed liberalisation of Africa's cocoa sectors has often resulted in lower bean quality, partly because a proliferation of small, inexperienced buyers tended to grow up after state marketing monopolies were relaxed and partly because of the removal of up-country quality control checks in an attempt to save money and speed up marketing.

The value of Nigerian and Cameroonian cocoa has fallen because of post-reform quality problems, traders say, and they worry that cocoa from the Ivory Coast, top producer, may go the same way.

Ivory Coast's Caistab marketing agency closed its up-country testing centres last year as part of a $150m World Bank loan deal.

Mr Amoah said Ghana would not be rushed into making quality-control reforms because Cocobod studies had shown it would be a false economy to change the system.

"We have worked out the cost of these quality controls. By economic analysis we found that the premium we have been receiving outweighs the cost," he said.

The premium more than compensated for quality control operating costs and for potential government tax revenue and farmer income lost when bad beans were not marketed, Mr Amoah said, and all three of Ghana's quality checks were necessary.

"The first check is more or less testing the farmer, checking he knows what he is supposed to deliver for sale. The up-country produce clerks have been taught to tell a farmer what he should bring.

"The second-stage inspection at the depots and the take-over points is a quality check on the internal buyers.

"The final check [at the port] is to make sure the quality standards stated in the contracts are met because your premium and market image depend upon your ability to deliver what you indicated in your contract."

Mr Amoah said Ghana had tried to comply with donor requirements and had slashed the Cocobod's staff to 10,400 in 1994 from 40,000 in 1992, when private firms were licensed to buy cocoa from farmers. In 1985 it had 90,000 employees.

Looking to the longer term, he said that although Cocobod had kept its quality checks it was also helping farmers' co-operatives to build up quality control experience in case the board was dismantled in the future. "Farmers should be able to export cocoa of high quality on their own initiative," he said, spelling out a key condition for any such change. "The absence of the Cocoa Board may not necessarily mean the absence of Ghana's premium quality cocoa."

Metal recovery from Orimulsion planned at German plant

A German plant to recover metals from the Venezuelan fuel Orimulsion will open next year, a senior Venezuelan oil official said on Thursday, reports Reuters.

The plant at Hennstedt, near the Danish border, will recover 2,000 tonnes of vanadium pentoxide, 250 tonnes of nickel and 14,000 tonnes of magnesium sulphate a year, Mr Daniel Ramirez-Isava, president of Bitor Europe, which markets Orimulsion, said in London.

He said the metals would be recovered from ash produced at a power plant in Denmark that imports 1m to 1.5m tonnes of Orimulsion a year. The recovery plant will be owned by a joint venture in which Bitor Energy has a 45 per cent stake, Reakt of the UK will have 10 per cent and Strategic Metals Corp (Stratcor), a US producer and marketer of vanadium, 45 per cent.

There are plans for Britain to import 4m to 5m tonnes of Orimulsion a year to be burnt at a power plant in Pembroke, south Wales if and when the government gives its approval.

Mr Ramirez-Isava said another metal recovery plant might eventually be built at Pembroke if the government gave the go-ahead for the power station, which he expected by the end of this year.

Orimulsion consists of heavy crude oil mixed with about 30 per cent water. Venezuela plans to increase production from 4.8m tonnes this year to 20m by 2000.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1476-77	1513-13.5
Previous	1471.5-72.5	1508-09
High/low	1476	1515/1508
AM Official	1476-77	1512.5-13
Kerb close		1512-13
Open int.	240,031	
Total daily turnover	34,182	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1255-60	1290-95
Previous	1250-55	1285-88
High/low		1295/1290
AM Official	1264-65	1293-95
Kerb close		1292-93
Open int.	5,368	
Total daily turnover	1,275	

■ LEAD ($ per tonne)

Close	786-7	795-5.5
Previous	784-5	794-5
High/low		797/792
AM Official	786-7	795-5.5
Kerb close		794-5
Open int.	33,100	
Total daily turnover	4,649	

■ NICKEL ($ per tonne)

Close	7565-75	7670-80
Previous	7605-15	7715-20
High/low	7750/7540	7695/7660
AM Official	7550-51	7655-57
Kerb close		7670-80
Open int.	42,584	
Total daily turnover	4,646	

■ TIN ($ per tonne)

Close	6420-30	6450-55
Previous	6380-90	6410-15
High/low		6465/6425
AM Official	6395-400	6425-26
Kerb close		6425-30
Open int.	16,252	
Total daily turnover	4,817	

■ ZINC, special high grade ($ per tonne)

Close	1006.5-7.5	1033.5-34
Previous	1005-05	1032.5-33
High/low		1034.5/1030
AM Official	1005.5-06	1032-32.5
Kerb close		1034-35
Open int.	69,569	
Total daily turnover	10,863	

■ COPPER, grade A ($ per tonne)

Close	1935-40	1885-87
Previous	1963-69	1910-12
High/low	1930/1927	1895/1885
AM Official	1926-27	1879-80
Kerb close		1886-87
Open int.	199,557	
Total daily turnover	41,810	

Base metals continued

■ LME AM Official £/$ rate: 1.5617
LME Closing £/$ rate: 1.5595

Spot: 1.5581 3 mths: 1.5576 6 mths: 1.5580 9 mths: 1.5588

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.00-381.45		
Opening	380.80-381.30		
Morning fix	380.90	243.70	477.65
Afternoon fix	381.00	243.98	477.58
Day's High	381.30-381.60		
Day's Low	380.50-380.90		
Previous close	382.00-382.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....4.13 6 months 3.85
2 months ....4.08 12 months 3.81
3 months 4.05

Silver Fix	p/troy oz.	US cts equiv.
Spot	324.90	507.50
3 months	328.80	513.45
6 months	332.85	520.10
1 year	341.00	533.25

Gold Coins	$ price	£ equiv.
Krugerrand	382.5-385.5	245-247
Maple Leaf	390.05-392.55	
New Sovereign	87-89	56-57

VOLUME DATA
Open Interest and Volume data shown for contracts traded on IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months. US Markets are closed for the Independence Day holiday.

FUTURES DATA
All futures data supplied by CMS.

ENERGY

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	19.52	+0.21	19.55	19.38	13,057	41,312
Sep	18.90	+0.22	18.94	18.79	4,476	57,001
Oct	18.45	+0.17	18.51	18.36	1,324	23,224
Nov	18.05	+0.14	18.11	18.00	452	5,838
Dec	17.76	+0.17	17.78	17.71	349	13,439
Jan	17.49	+0.16	17.50	17.50	200	11,312
Total					19,474	169,692

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	177.25	+5.00	177.75	173.00	5,005	14,487
Aug	172.50	+3.25	173.00	169.75	4,225	16,229
Sep	170.25	+1.75	170.75	169.00	2,671	8,490
Oct	169.00	+1.00	169.50	168.75	584	3,764
Nov	168.50	+1.00	169.00	168.50	18	1,795
Dec	168.25	+1.25	168.50	168.00	802	8,828
Total					13,339	60,890

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	109.80	+0.10	110.50	109.50	40	179
Sep	110.50	-0.50	111.10	111.10	1	402
Nov	112.50	-0.45	113.10	112.50	107	3,009
Jan	114.45	-0.50	115.25	114.50	156	1,034
Mar	116.50	-0.50	116.85	116.50	28	372
May	118.60	-0.35	-	-	-	160
Total					332	5,162

■ BARLEY LCE (£ per tonne)

Sep	103.65	-0.35	104.25	104.00	8	98
Nov	105.65	-0.50	106.30	105.75	71	753
Jan	107.70	-0.55	107.75	107.75	5	177
Mar	109.40	-0.60	-	-	-	46
May	111.65	-0.60	-	-	-	7
Total					84	1,081

■ POTATOES LCE (£/tonne)

Nov	85.0	-	-	-	-	-
Mar	110.0	-	-	-	-	-
Apr	121.2	+1.4	124.0	118.5	79	1,297
May	137.0	+5.2	-	-	-	3
Jun	162.5	-	-	-	-	-
Total					79	1,300

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jul	1128	-9	1137	1120	34	1,886
Aug	1123	-10	1130	1115	54	480
Sep	1171	-4	1180	1165	4	59
Oct	1225	-10	1235	1225	20	1,457
Jan	1248	-9	-	-	-	268
Apr	1268	-4	-	-	-	115
Total					112	4,286

	Close	Prev
BFI	1163	1173

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1040	+1	1044	1035	127	1,395
Sep	1064	+6	1064	1055	369	43,294
Dec	1048	+4	1050	1044	214	42,469
Mar	1050	+2	1052	1048	144	34,408
May	1059	+2	1062	1057	172	20,145
Jul	1068	+1	1070	1067	109	10,609
Total					1,228	167,492

■ COFFEE LCE ($/tonne)

Jul	1662	-28	1682	1650	267	1,771
Sep	1659	-20	1670	1640	2,875	15,398
Nov	1625	-20	1641	1601	843	4,730
Jan	1596	-14	1594	1570	294	2,903
Mar	1552	-16	1550	1532	71	1,249
May	1535	-10	1538	1525	18	111
Total					4,368	26,161

Softs continued

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	382.8	-	383.5	382.5	216	6,672
Oct	352.8	+1.0	353.3	352.7	139	8,486
Dec	340.3	+1.5	340.5	340.3	17	3,830
Mar	335.3	+1.8	335.1	334.5	203	4,231
May	332.3	+1.3	332.6	332.6	100	2,196
Aug	329.0	+0.2	-	-	-	775
Total					675	26,755

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	115	156	8	19
1500	47	90	38	50
1600	13	48	103	103
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1800	179	191	75	111
1900	126	143	120	160
2000	85	105	178	219
■ COFFEE LCE	Sep	Nov	Sep	Nov
1650	98	151	89	125
1700	77	128	105	152
1750	60	109	151	183
■ COCOA LCE	Sep	Dec	Sep	Dec
1000	81	97	14	49
1025	64	84	25	61
1050	48	72	35	74
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1850	105	80	3	40
1900	65	51	13	61
1950	29	32	29	92

Wool

The Australian wool selling market was operating this week after the usual four week July recess was reduced to three. Prices fluctuated narrowly and the Eastern Market Indicator closed at 598cts, just one cent higher than the official 1995/96 season close the previous week. In theory there should be confidence at this level, in fact buyers are operating cautiously without sufficient support from buyers closer to the consumer. Even where activity is holding up well, normal trading margins are proving difficult to establish. Holidays are now beginning to affect Europe with wool textile districts in the UK starting their annual break.

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.85-8.02	+0.20
Brent Blend (dated)	$19.74-9.78	+0.27
Brent Blend (Aug)	$19.49-9.53	+0.23
W.T.I.	$21.34-1.36x	
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$213-216	+5.5
Gas Oil	$180-182	+5
Heavy Fuel Oil	$87-89	
Naphtha	$183-185	+1
Jet fuel	$201-203	+8
Diesel	$179-181	+1
■ NATURAL GAS (Pence/therm)		
Bacton (Aug)	12.60-13.25	-0.075

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER		
Gold (per troy oz)♣	$381.225	-0.975
Silver (per troy oz)♣	510.00c	-3.50
Platinum (per troy oz.)	$389.15	-3.35
Palladium (per troy oz.)	$132.50	-1.25
Copper	95.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.65r	+0.15
Tin (New York)	297.50	
Cattle (live weight)	100.99p	-0.03*
Sheep (live weight)	111.22p	-2.28*
Pigs (live weight)†	125.66p	+6.48*
Lon. day sugar (raw)	$311.30	+0.30
Lon. day sugar (wte)	$392.50	+2.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	93.00p	-0.76
Rubber (Sep)♥	93.00p	-0.75
Rubber (KL RSS No1)	345.50m	-3.50
Coconut Oil (Phil)§	825.0w	
Palm Oil (Malay.)§	$477.5z	-2.5
Copra (Phil)§	$525.0w	
Soyabeans (US)	211.0	-3.0
Cotton Outlook 'A' index	79.45c	-0.20
Wooltops (64s Super)	430p	-4

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Aug. w Jul/Aug. z Jul/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,410 head of pigs sold.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 4	Jul 3	month ago	year ago
1992.8	2002.4	2072.4	2260.5

■ CRB Futures (Base: 1967=100)

Jul 3	Jul 2	month ago	year ago
249.25	248.88	na	na

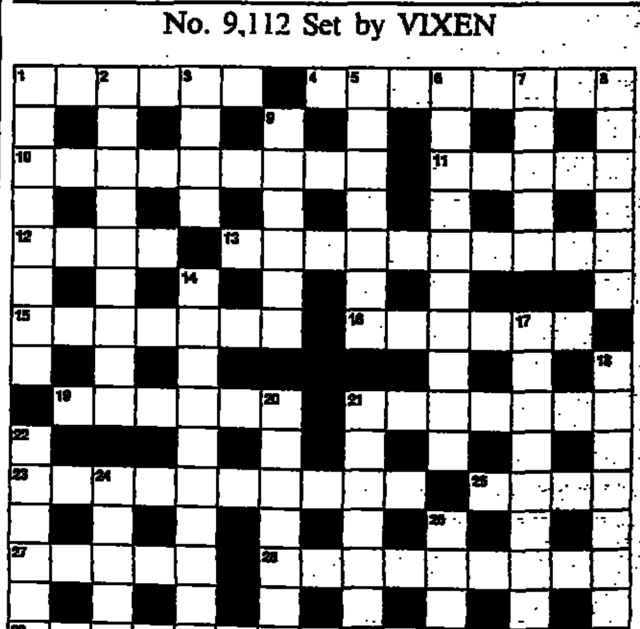
■ GSCI Spot (Base: 1970=100)

Jul 3	Jul 2	month ago	year ago
206.18	208.36	203.82	174.23

JOTTER PAD

CROSSWORD

No. 9,112 Set by VIXEN



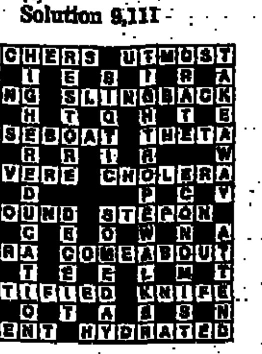
ACROSS

1 A colourless individual (6)
4 Crooks may well be spotted in church (8)
10 Offered corn, let up, so get overweight (9)
11 Doctor, a real scoundrel presented to the queen (5)
12 To create a disturbance could mean jail! (4)
13 Making no tally – in a mess throughout the country (10)
15 The view of an extrovert? (7)
16 Pop back enveloped in dry wrap (6)
19 Coaches as transport (6)
21 An animal's regard for safety after dark (4-3)
23 Turned on the epidural? (4-6)
25 A man going on about present (4)
27 The French study music (5)
28 Count the money with grim consequences (9)
29 Yet part's possibly material (8)
30 Article posted – note enclosed will give a lift (6)

DOWN

1 Scorn tea-makers, not being of the modern generation (8)
2 Fence accepting a high-principled person's counsel (9)
3 No American shows good sense! (4)
5 Keeps finding rent is a problem (7)
6 The poor will get back tax (6-4)
7 Some children rolled up to register (5)
8 The school-head makes a request for flowers (6)
9 A place where contemporary and ancient craft co-exist (6)
14 Still having nothing to argue about? (10)
17 Sort of pay muddle – create new structure (5,4)
18 Housing English people in temporary shelter (8)
20 Corresponding just the same (7)
21 Purges of many heels (6)
22 Most effective and stable arrangement (6)
24 The ninny quietly following an associate (5)
26 Encourages the production of food (4)

Solution 9,111



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ROSSWORD

FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 Jersey: 01534 71696
Private Clients 0800 414181 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Selling Price	+ or -	Yield Gr's
A$ Accum	A$18.813	+0.008	8.40
ASch Accum	Sch247.42	+0.02	2.10
C$ Accum	C$18.829	+0.002	3.70
DM Accum	DM35.085	+0.002	2.10
DFl Accum	Dfl31.510	+0.002	1.60
ECU Accum	Ecu13.372	+0.001	3.40
FFr Accum	FFr68.944	+0.006	2.70
HK$ Accum	HK$119.83	+0.02	4.20
Lire Accum	L25089	+3	8.20
NZ$ Accum	NZ$38.951	+0.009	8.80
NKr Accum	NKr111.44	+0.01	3.40
S$ Accum	S$26.864	+0.001	1.30
SPta Accum	Pta2587.9	+0.4	6.40
£ Accum	£12.956	+0.001	4.80
SKr Accum	SKr119.89	+0.02	4.90
SFr Accum	SFr29.315	+0.001	1.10
US$ Accum	$23.229	+0.002	4.40
Yen Accum	Y2689.8	—	0.10

Prices for dealing July 4

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1295, Hamilton, Bermuda 001 809 292 2780

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Odey Asset Management Ltd
80 Harcourt Street, Dublin 2 00 3531 780 2400

	Selling Price	+ or -	Yield Gr's
Odey European Gth Inc	DM161.32	—	-
Odey European Gth Acc	DM161.32	—	-
Odey European Gth Inc	£67.92	—	-
Odey European Gth Acc	£68.18	—	-

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Umbrella Fund Inc	$12.43	12.81	—	0.64
Greater America Fund '97	$98.88		—	0.00
Pacific Emerging 94 A	$60.30		—	0.00
Pacific Emerging 94 B	$85.88		—	0.00
Latin America	$98.03		—	0.00

Berkshire KITC Growth Fund Plc
NAV $8.10 -1.91 -

Berkshire Korea Fund Plc
NAV $5.57 -0.20 -

Bordier Invest (Ireland) Ltd
Invest Hosm Fd NAV Jun 28 $82.19 — -

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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Perpetual UT Mngrs (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Offshore Am Gwth Fd	$11.5869	12.3070	—	-
Offshore Emerging Cos	$7.7211	8.2053	—	-
Offshore Far East Gwth Fd	$5.1284	5.4479	—	-
Offshore Intl Gwth Fd	$6.1662	6.5529	—	-
Offshore Japanese Gwth Fd	$1.3277	1.4110	—	-
Offshore UK Growth Fd	$3.7512	3.9865	—	-
Offshore Asia Smaller Mkts	$1.8111	1.9247	—	-
Offshore Latin Amer Growth	$1.1236	1.1941	—	-
Offshore European Gwth Fd	£2.6028	2.7658	—	-
Offshore Global Bond	$0.9480	0.9878	—	-
Offshore Global Bond Acc	$1.1238	1.1698	—	-

The Portugal Fund Limited

Lloyds Bank International (Jersey) Limited

NAV Jun 28	$7.07		—	-

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Ivory Growth Fund	£23.35	23.59xd	—	1.14
Lowes Aggressive Portfolio	£11.5	12.42	—	-
Lowes Defensive Ptflio	£12.09	12.73	—	-
Lowes Collective Ptflio Ltd	£11.33	11.69	—	-

For Schlesinger Kemp Gee see Hambros

TSB Fund Managers (CI) Ltd

TSB Island Pension	719.4	757.3	+2.2	-
Island Equity Acc	125.0	131.6	-0.1	-

WMB Asset Management (Jersey) Ltd

Pas 500 Eu Mkts Dollar Income	$957.07	957.228	—	-

Worldinvest (Managers) Jersey Ltd

Worldinvest Inc Fd †	£252.78	253.90xd	+1.46	5.92
Excalib Global Eqty $ *	$82.50	82.82	—	-
Excalib Stg Global Fixed Inc*	£11.63	11.70xd	—	4.97

Valued weekly * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

Dresdnerbank Asset Mngmt SA (u)

6A route de Treves L-2633 Senningerberg 00 352 4034631

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
DB-Lux Bondspezial (Inc)		DM72.16	74.32	(z)	-
DB-Lux Bondspezial (Gth)		DM100.00	103.82	—	-

E.T. Investment Management Ltd

13 Rue Goethe, BP 413, Luxembourg 00 352 404646217

Establishment Tst Jun 28	$2.73		+0.01	-

Elgistan Global SICAV (u)

13 Rue Goethe, L-1637, Luxembourg 00 352 404646213

Equity Portfolio Jul 4	$2.410		+0.008	-
Reserve Portfolio Jul 4	$2.038		+0.007	-

EquiFund—Wright National Eqty Fd (u) (x)

14 rue Aldringen, L-1118 Lux 00 352 479 96590

Australasian Nat	A$15.77	15.93	—	-
Austrian Nat Equity	Sch67.69	68.37	—	-
Belgium/Lux Nat Eqty	BFr748	756	—	-
French Nat Equity	FFr133.80	135.14	—	-
German Nat Equity	DM18.14	18.32	—	-
Dutch Nat Equity	Dfl38.28	38.66	—	-
Italian Nat Equity	L12421	12545	—	-
Japanese Nat Equity	Y1399	1413	—	-
Hong Kong Nat Equity	HK$117.95	119.13	—	-
Spanish Nat Equity	Pta1220	1232	—	-
UK Nat Equity	£10.20	10.30	—	-
United States Dlr Res	$10.98		—	-

Fidelity Funds (u)

Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174
UK-01732 777377 Lux-00 352 250351230

Major Market Funds

America	$2.283		-0.006	-
Europe	DM4.778		-0.004	-
International	$16.36		-0.08	-
Japan	Y145.8		-0.2	-
Pacific	$0.306		-0.025	-
South East Asia	$2.845		+0.008	-

Country Select Funds

ASEAN	$22.96		+0.18	-
Asian Special Situations	$11.25		+0.11	-

Manulife Regent Global Fund (u) (z)

13 rue Goethe, L-1637 00 352 40 4646 237

American Gth Fund	$10.4745		-0.0298	-
European Gth Fund	$5.3409		+0.0236	-
Global Resources Fund	$4.0066		+0.0227	-
Intl Growth Fund	$2.2084		+0.0071	-
Japanese Gth Fund	$2.5022		-0.0037	-
Pacific Basin Gth Fund	$3.3362		+0.0074	-
Reserve Fund	$2.2183		+0.0005	-
Tiger Fund	$2.2697		+0.0043	-
UK Gth Fund	$2.0423		+0.0066	-

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Regional Equity Funds

	Selling Price	Buying Price	+ or -	Yield Gross
American Equity	$11.33		-0.03	-
Asian Equity	$24.28		+0.06	-
Australian Equity	A$7.50		-0.07	2.01
European Equity	$13.53		+0.02	-
Japanese Equity	Y433		—	-
UK Equity	£9.83		-0.01	2.30

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Swiss Bank Corporation

CMI Ins Co Ltd/Clerical Med Gen Life Assce - Contd.

OFFSHORE INSURANCES

هكذا من الأصل

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or –	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£28½	—	£34½	£28½	1,904	2.8	ϕ
Barlow	‡†	£9¾xd	—	£10⅝	£9⅛	1,389	2.0	–
Gold Flds Prop R		124xd	—	170	124	12.7	7.2	9.3
HK Props		75	—	98	75	3.01	12.6	–
SASOL	♥	688	–7	710	475	3,811	1.7	–
SA Brews		£18¾	+¾	£28½	£17¼	5,540	2.0	ϕ
Standard Bank	□	£24¾	–¾	£32.7	£20¾	2,874	1.6	20.4
Tiger Oats	†	910xd	+5	1270	805	1,389	1.9	17.9
Tongaat-Hulett		813xd	–10	1247	710	799.6	2.4	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- \- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♧ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ϕ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

MARKET REPORT

Dealers wrong-footed by surprise buying burst

By Steve Thompson, UK Stock Market Editor

A surprise burst of buying interest in derivatives caught London's marketmakers on the wrong foot yesterday, causing them to scramble to close short positions in many of the leading stocks.

The future has traded at a discount to the cash market and to fair value for some weeks, as the market fretted about the possibility of global interest rate moves.

The action in the future began to impact on the cash market shortly after the opening and picked up quickly as the session wore on, prompting "panicky covering" of short positions in the derivatives.

The head trader at one big London broking house said most marketmakers had been "taken to the cleaners" by the market's sudden rise. "The general feeling was that with Wall Street closed, no shift in interest rates and general worries about the non-farm payroll figure the market would have kept on hold. As we now know that wasn't the case and it has been painful."

Many dealers had expected London to continue its recent poor performance yesterday because of the closure of Wall Street, for the Independence Day holiday.

Instead, with the US Federal Reserve signalling no change in US interest rates and with Boris Yeltsin re-elected as Russian president, global bond markets made useful progress, taking equity markets with them.

UK gilt-edged securities, also showing relief that UK interest rates were left unaltered after Wednesday's meeting between Mr Kenneth Clarke, chancellor of the exchequer, and Mr Eddie George, governor of the Bank of England, gave a confident performance.

Some dealers remained wary of London's performance, however, pointing out that the biggest gains were concentrated in the leaders and that second line stocks had been generally neglected.

The FT-SE 100 index, which has looked increasingly vulnerable over the past couple of sessions, raced higher from the outset, eventually closing just off the day's high, up 46.5 at 3,760.6. The FT-SE mid 250 on the other hand, could only muster a 4.9 rise at 4,371.1.

The market's second line and smaller capitalised stocks outpaced the market leaders over the first half of the year, prompting some strategists to adopt a much more cautious stance on the former.

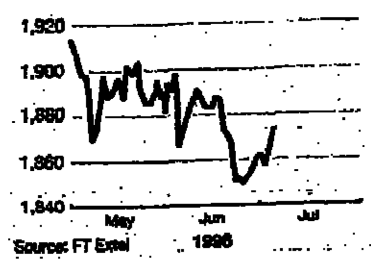
Mr Paul Walton of Goldman Sachs, one of the more bearish observers of the UK equity market, said investors should "focus any UK holdings in the FT-SE 100, excluding utilities, because we perceive up to 20 per cent downside in the Mid 250/Small Cap stocks".

He added: "The risks of a turnaround in interest rates, recognition of overvaluation, a change of government or some external shock are significant."

There was further strong support for the banks sector, one of the best performing areas of the market over the past few sessions, with the big mortgage lenders aggressively bought.

There was no appreciable rise in turnover during the afternoon; at the 6pm reading turnover was 636.6m shares. Retail business on Wednesday was valued at £1.66bn.

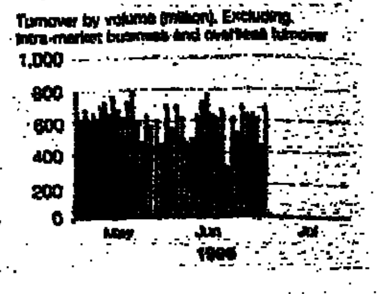
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3760.6	+46.5	FT Ordinary index	2761.4	+32.8
FT-SE Mid 250	4371.1	+4.9	FT-SE-A Non Fins p/e	16.94	16.82
FT-SE-A 350	1892.0	+18.7	FT-SE 100 Fut Jul	3704.0	+71.0
FT-SE-A All-Share	1875.47	+17.09	10 yr Gilt yield	7.88	7.93
FT-SE-A All-Share yield	3.83	3.86	Long gilt/equity yld ratio:	2.16	2.14

Best performing sectors

1	Banks: Retail	+2.2
2	Pharmaceuticals	+1.8
3	Oil: Integrated	+1.7
4	Alcoholic Beverages	+1.6
5	Tobacco	+1.5

Worst performing sectors

1	Extractive Inds	–1.3
2	Other Financial	–0.5
3	Distributors	–0.4
4	Engineering: Vehicles	–0.3
5	Retailers: Food	–0.1

Rebound for glass leader

Glass giant Pilkington shot forward as brokers turned positive in the wake of this week's upbeat presentation by the company.

Charterhouse Tilney moved from "hold" to "buy", and HSBC James Capel was also said to be recommending the shares after recent weakness.

The presentation to analysts focused on progress made on group restructuring and cost reductions, and there was also good news about specific problem markets, notably Germany.

Pilkington increased glass prices in Germany at the start of June, and they appear to be sticking. Its overall assessment of the country suggested an improving demand outlook.

"It was all very encouraging," said Mr Steven Charnock, Charterhouse Tilney building materials analyst.

The shares have lagged behind the market as a whole by 10 per cent over the past three months. They improved 5 to 188p yesterday in 9.2m traded.

NatWest advances

Shares in National Westminster Bank gained ground after ABN Amro Hoare Govett set a 680p a share price target on the bank and reiterated its buy stance. The new target reflects continuing cost reductions and the scope for the bank to buy back shares. The stock climbed 17 to 634p.

NatWest shares led the banking sector higher as investors moved in on the back of yesterday's strong market rally. Much of the buying has been prompted by the pick-up in the housing market, which has boosted Abbey National and Lloyds TSB.

Abbey National added 14½ at 579½p, making a jump of nearly 10 per cent over the past five trading days. Lloyds TSB rose 7½ to 332p on turnover of almost 10m shares.

J. Sainsbury was the worst performer in the market, falling 9 to 369p on a volume of 6.4m. Analysts continued to downgrade their forecasts as they fully digested the company's interim results released earlier this week.

Tesco moved up 4¼ to 302¼p on a volume of 6.8m, with one analyst suggesting that there could be some switching into it from Sainsbury.

RTZ hits low

Mining company RTZ hit a three-month low as Kleinwort Benson lowered profit estimates and one other broking firm was said to have cut forecasts. Kleinwort reduced its 1996 profits forecast to £860m from £930m and its 1997 figure to £940m from £1.01bn.

RTZ has dropped steadily since news broke on June 14 of the copper scandal at Sumitomo. Copper prices fell sharply on revelations that Sumitomo, the world's largest copper trader, had lost an estimated $1.8bn in unauthorised trading over the past 10 years. The shares shed 14 to 945p.

English China Clays failed to take part in yesterday's rally in spite of an announcement that Capital Group had increased its stake by nearly 4m shares to 15.71 per cent.

Merrill Lynch has published a sell note and reduced its earnings estimate for this year and next by about 20 per cent. The move reflects the continuation of a poor paper industry background. The shares ended only a penny higher at 274p.

Vickers firmed 4 to 264p as investors warmed to the news that Rolls-Royce car sales had increased sharply during the first half of 1996.

But analysts were less inclined to optimism. The company is apparently taking the opportunity to push through some chunky development costs, and Rolls-Royce's mix of business has been less favourable with a declining ratio of high margin bespoke sales.

As a result, the Vickers management makes no bones about the likelihood of flattish profits from its R-R unit this year.

TI Group stood out against the market uptrend, giving up a penny to 544p after a leading broker was said to have turned seller on the stock.

Electronics giant GEC continued to power ahead on the back of Wednesday's upbeat results and the flow of positive broker notes that ensued. The stock appreciated a further 8¾ to 371¾p for a two-day advance of more than 5 per cent.

Most analysts expect a steady flow of good news this year with a new chief executive at the helm, defence contracts coming through and increasing focus on the prospect for corporate activity at GEC-Alsthom. NatWest Securities expects the shares to work up towards 400p.

Software group Psion stayed firm as hopes for a successful outcome of the takeover talks with Amstrad buoyed sentiment. The stock stood at 348p at the end of June. It closed 23 better at 448p yesterday.

Eurotherm fell more than 12 per cent following news of management changes. The shares closed off 73 at 515p to return the day's worst performance in the FT-SE Mid 250.

National Power bounced 10 to 534p with the help of a buy note from Merrill Lynch. The shares have languished from their high of 605p in April when the official regulator banned a bid from Southern of the US. However, Merrill believes the stock is worth up to 620p and that there could be another £100m share buyback in the wind.

Glaxo Wellcome improved 22½ to 889½p on expectations of good news about its Aids drug at a forthcoming international Aids conference. SmithKline Beecham rose 13 to 720p.

Much of the impetus came from buying in the US on Wednesday, which also helped BP gain 10½ to 593p.

United Biscuits rose 6 to 222p. ABN Amro Hoare Govett upgraded its 1997 forecasts for UB and lifted its recommendation on the stock to "hold" from "overvalued". It believes the business has stabilised, with the crisps business in particular looking in better shape.

Tate & Lyle firmed 6½ to 466p, with Mercury Asset Management reporting that it now has a 10.03 per cent stake in the company. Associated British Foods rose 8½ to 397p, with dealers reporting a squeeze on short positions in the market.

Second tier pub and restaurant companies were in favour, with Regent Inns rising 8 to 227p and Tom Cobleigh 7 to 250p. Harry Ramsden's rose 2 to 370p ahead of today's interim results. Analysts hope the company might have some insights into its recent sharp share movements.

Granada, the leisure group widely believed to be preparing a full-scale offer for Yorkshire-Tyne Tees Television, lost 2 at 836p, with additional pressure from a large delayed trade. A block of 5m shares was dealt at 816p a share, significantly below the prevailing market price and the stock subsequently trickled out at 832p. Yorkshire TV held at 1235p.

Aim stock Chelsea Village, the company which owns Chelsea Football Club, jumped 23 to 91p after it was announced that Mr Matthew Harding, the chief executive elect had agreed to acquire 9.6m shares at 52p. The stock was also helped by the signing of Roberto di Matteo, of top Italian side Lazio.

MARKET REPORTERS: Peter John, Lisa Wood, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jul 4	Jul 3	Jul 2	Jul 1	Jun 28	Yr ago	*High	*Low
Ordinary Share	2761.4	2728.6	2737.0	2736.8	2729.7	2544.2	2885.2	2698.7
Ord. div. yield	4.04	4.09	4.08	4.08	4.09	4.19	4.12	3.76
P/E ratio net	16.31	16.12	16.16	16.16	16.12	15.91	17.25	15.96
P/E ratio nil	16.22	16.02	16.07	16.07	16.03	15.67	17.08	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2729.9	2729.9	2731.1	2739.0	2741.3	2744.0	2745.7	2748.0	2755.4	2761.4	2729.9

	Jul 4	Jul 3	Jul 2	Jul 1	Jun 28	Yr ago
SEAQ bargains	27,742	28,652	29,204	29,367	24,518	25,156
Equity turnover (£m)†	–	1660.9	2039.0	1196.4	1792.7	1595.5
Equity bargains†	–	35,178	35,245	32,211	29,799	26,084
Shares traded (ml)†	–	624.4	695.0	433.6	610.3	585.5

†Excluding intra-market business and overseas turnover.

	Jul 4	Jul 3	Jul 2	Jul 1	Jun 28	Yr ago	*High	*Low
FT-SE AIM	1081.50	1075.30	1077.30	1079.30	1079.80	–	1140.40	985.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	568	Total Highs	50	Total contracts	36,130
Total Falls	527	Total Lows	45	Calls	14,500
Same	1,628			Puts	21,630

July 4 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3713.0	3775.0	+71.0	3780.0	3707.0	14952	29809
Dec	3748.0	3794.0	+72.0	3748.0	3748.0	15	1248

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	–	4365.0	+5.0	–	–	0	3740

■ FT-SE 100 INDEX OPTION (LIFFE) (*3750) £10 per full index point

	3600		3650		3700		3750		3800		3850		3900		3950	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Jul	[illegible]															
Aug	[illegible]															
Sep	[illegible]															
Oct	[illegible]															
Dec†	[illegible]															

Calls 4,054 Puts 13,281

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3625		3675		3725		3775		3825		3875		3925		3975	
Jul	[illegible]															
Aug	[illegible]															
Sep	[illegible]															
Dec†	[illegible]															
Mar†	[illegible]															

Calls 4,266 Puts 2,776 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1996 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§120	F.P.	13.6	136	132	TAFA Systems	136	-	-	-	-	-
-	F.P.	-	11	8	Carlisle Wrts	8	-½	-	-	-	-
§170	F.P.	19.9	185	163	Circle Comms	183	-2	-	-	-	-
§	F.P.	105.1	221	208	City Technology	216	-	-	-	-	-
-	F.P.	3.00	17	15	Concurrent Techn	17	-	-	-	-	-
-	F.P.	17,281	£37½	£34½	Elect Data Sys	£35½	-	-	-	-	-
100	F.P.	45.7	126	111	Fibernet Group	123	-	-	-	-	-
60	F.P.	3.05	65	61	Fieldens	61	-	-	-	-	-
-	F.P.	26.9	21	17	Gold Mn Sardinia	20	-1	-	-	-	-
-	F.P.	6.43	12	8	Gold Sand Wts	11	-	-	-	-	-
265	F.P.	43.3	287	255	IES	265	-	[illegible]	-	0.3	-
-	F.P.	5.16	280	240	IES Warrants	250	-	-	-	-	-
-	F.P.	18.6	95	85	Independent Br H	[illegible]	-	-	-	-	-
94	F.P.	18.6	88	80	Intelligent Envn	83	-	-	-	-	-
175	F.P.	-	183	172	Jarvis Hotels	174	-1½	-	-	-	-
-	F.P.	31.7	133	121	Lands Improvement	122	+1	-	-	-	-
-	F.P.	2.51	125	110	Matrix Hlthcare	110	-	-	-	-	-
-	F.P.	1.32	18	18	NECA	18	-	-	-	-	-
172	F.P.	407.4	227	172	Pace Micro Tech	190	-	R2.4	2.4	1.6	31.5
70	F.P.	16.5	75	71	SEA Multimedia	73	-	-	-	-	-
140	F.P.	20.3	167	164	[illegible]	167	-	-	-	-	-
80	F.P.	5.89	91	88	[illegible]	91	+1	-	-	-	-
225	F.P.	33.2	280	225	[illegible]	257	-	-	-	-	-
-	F.P.	1,290	243	230	[illegible]	222	-	-	-	-	-
118	F.P.	18.0	139	108	[illegible]	111	-5	-	-	-	-
174	F.P.	18.1	178	154	[illegible]	161	-	-	-	-	-
85	F.P.	26.3	133	113	Vocalis Group	113	-2	-	-	-	-
-	F.P.	23.8	163	150	[illegible]	150	-	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Jul 3	% chg on day	Jul 2	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (32)	2062.61	+0.4	2043.69	1985.00	1.50	–	2328.73	1722.93
■ Regional Indices								
Africa (13)	2812.97	+2.5	2745.53	2570.89	2.59	38.15	3553.66	2272.74
Australasia (7)	2330.70	–2.8	2398.19	2204.51	2.55	22.05	2927.34	2142.76
North America (12)	1797.96	+0.1	1796.07	1674.21	0.78	63.93	2186.39	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	Jul 4	Day's chge%	Jul 3	Jul 2	Jul 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3760.6	+1.3	3714.1	3725.7	3725.6	3388.3	4.04	2.13	14.50	90.61	1539.88
FT-SE Mid 250	4371.1	+0.1	4366.2	4376.0	4370.4	3673.8	3.41	1.73	21.21	110.60	1762.78
FT-SE Mid 250 ex Inv Trusts	4409.0	+0.1	4405.1	4415.9	4409.8	3680.6	3.50	1.77	20.18	116.24	1781.21
FT-SE-A 350	1892.0	+1.0	1873.3	1878.8	1878.2	1679.1	3.90	2.06	15.58	46.11	1584.65
FT-SE-A 350 Higher Yield	1813.8	+1.3	1789.6	1794.2	1795.5	1683.5	5.22	1.92	12.47	54.48	1270.19
FT-SE-A 350 Lower Yield	1977.7	+0.7	1964.2	1970.5	1968.1	1676.2	2.70	2.30	20.17	38.08	1372.50
FT-SE SmallCap	2188.65	.....	2188.33	2190.28	2189.64	1852.16	2.97	1.75	24.02	37.42	1800.57
FT-SE SmallCap ex Inv Trusts	2188.80	.....	2188.65	2190.74	2189.92	1827.04	3.15	1.84	21.55	39.48	1812.26
FT-SE-A ALL-SHARE	1875.47	+0.9	1858.38	1863.54	1862.96	1658.02	3.83	2.04	16.03	44.61	1595.19

■ FT-SE Actuaries All-Share

	Jul 4	Day's chge%	Jul 3	Jul 2	Jul 1	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3553.39	+1.2	3512.22	3510.20	3499.53	2850.23	3.77	1.83	18.10	79.25	1531.00
12 Extractive Industries(6)	4216.74	–1.3	4272.08	4286.54	4294.49	3932.87	3.80	2.52	13.04	109.19	1240.85
15 Oil, Integrated(3)	3639.31	+1.7	3577.24	3571.89	3556.46	2832.94	3.93	1.72	18.44	81.84	1608.19
16 Oil Exploration & Prod(15)	2482.55	+0.2	2478.32	2481.02	2482.01	1998.39	2.12	1.61	36.60	34.94	1495.20
20 GEN INDUSTRIALS(276)	2032.32	+0.7	2018.82	2020.78	2021.85	1953.78	4.24	1.88	15.65	45.71	1115.37
21 Building & Construction(34)	1196.91	+0.3	1193.21	1195.02	1197.36	952.99	3.46	1.68	21.59	21.62	1004.66
22 Building Matls & Merchs(29)	1895.63	+1.2	1873.67	1874.18	1876.56	1767.32	4.04	1.66	18.59	43.62	962.49
23 Chemicals(25)	2438.38	+0.7	2421.32	2423.24	2418.51	2410.54	4.09	1.98	15.58	59.45	1182.51
24 Diversified Industrials(19)	1571.97	+0.9	1558.55	1572.44	1581.52	1841.40	6.62	1.69	11.19	55.38	866.91
25 Electronic & Elect Equip(37)	2317.31	+0.7	2300.74	2274.68	2263.63	1996.67	3.35	1.62	23.04	17.87	1197.81
26 Engineering(71)	2459.93	+0.4	2448.96	2447.90	2436.53	2027.06	3.25	2.49	15.47	47.72	1501.73
27 Engineering, Vehicles(14)	3022.26	–0.3	3030.85	3024.47	3010.68	2366.47	3.47	1.98	18.19	54.61	1570.04
28 Paper, Pckg & Printing(28)	2570.66	+0.8	2551.36	2572.16	2577.25	3062.48	3.98	1.99	15.77	58.05	1077.37
29 Textiles & Apparel(19)	1366.13	+0.6	1357.88	1364.02	1368.62	1613.13	5.18	1.59	15.22	41.87	843.14
30 CONSUMER GOODS(92)	3606.06	+1.5	3554.52	3582.30	3573.57	3218.09	3.88	1.87	17.23	81.57	1339.45
32 Alcoholic Beverages(9)	2738.12	+1.6	2694.31	2729.89	2754.09	2795.23	4.57	1.62	16.93	71.90	993.92
33 Food Producers(24)	2508.89	+0.7	2490.98	2509.29	2508.49	2504.14	4.14	1.85	16.27	66.16	1142.38
34 Household Goods(15)	2655.41	+0.9	2632.01	2621.74	2609.65	2662.49	3.75	2.14	15.56	56.43	1018.97
36 Health Care(20)	2118.86	+0.3	2113.18	2112.22	2109.34	1788.38	2.55	2.06	23.83	34.90	1294.33
37 Pharmaceuticals(13)	5292.32	+1.8	5196.85	5169.40	5183.30	4096.48	3.19	1.86	21.02	91.18	1801.08
38 Tobacco(1)	4243.91	+1.5	4180.38	4226.97	4256.62	4236.14	5.99	2.12	9.85	156.18	1066.04
40 SERVICES(254)	2528.03	+0.4	2519.09	2532.32	2532.57	2073.30	2.83	2.01	22.04	52.31	1323.65
41 Distributors(31)	2859.17	–0.4	2871.31	2892.03	2908.37	2577.28	3.02	1.73	23.83	50.50	1059.64
42 Leisure & Hotels(24)	3169.87	+0.2	3164.90	3192.94	3216.13	2370.09	2.79	1.89	23.64	152.38	1712.71
43 Media(46)	4193.66	+0.5	4172.17	4195.87	4204.93	3114.12	2.17	1.88	30.60	54.14	1521.59
44 Retailers, Food(14)	2005.56	–0.1	2008.25	2018.84	2016.25	2094.66	3.82	2.32	14.11	48.71	1287.09
45 Retailers, General(44)	2106.76	+0.4	2099.22	2108.06	2101.53	1699.12	2.96	2.17	19.48	45.51	1214.47
47 Breweries, Pubs & Rest.(24)	3206.47	+0.6	3186.56	3192.17	3173.43	2543.09	3.20	2.13	18.39	50.78	1546.07
48 Support Services(49)	2463.64	+0.4	2453.79	2454.26	2446.38	1644.16	1.89	2.27	29.15	30.30	1571.14
49 Transport(22)	2337.36	+0.6	2322.53	2346.35	2355.00	2251.45	3.48	1.47	24.49	54.52	982.04
60 UTILITIES(33)	2309.27	+1.1	2285.23	2299.06	2297.01	2419.89	5.54	2.01	11.25	79.87	993.28
62 Electricity(11)	2578.35	+0.8	2557.45	2554.54	2547.08	2306.19	6.31	2.46	8.04	191.95	1267.51
64 Gas Distribution(2)	1230.83	+0.3	1227.43	1214.63	1214.83	1988.22	9.74	1.36	9.46	66.67	845.47
66 Telecommunications(8)	1932.91	+1.5	1905.14	1931.76	1933.77	2119.16	4.19	1.79	16.70	12.56	880.32
68 Water(12)	2163.23	+0.6	2149.87	2154.76	2145.56	1864.39	6.11	2.35	8.72	78.02	1214.07
69 NON-FINANCIALS(688)	1995.20	+0.8	1978.52	1984.54	1985.20	1782.51	3.83	1.93	16.94	46.90	1522.80
70 FINANCIALS(105)	2907.07	+1.4	2868.11	2871.58	2861.82	2435.15	4.14	2.84	11.45	78.85	1261.65
71 Banks, Retail(8)	4070.56	+2.2	3981.74	3981.48	3959.84	3278.86	3.82	2.89	11.30	110.04	1340.51
72 Banks, Merchant(6)	3645.36	+0.2	3636.42	3649.39	3646.68	3366.87	2.71	2.61	17.68	56.36	1160.61
73 Insurance(23)	1432.06	+0.6	1423.20	1436.37	1441.41	1303.79	5.77	3.18	6.80	48.21	1085.86
74 Life Assurance(6)	3322.01	+0.8	3296.43	3308.56	3308.86	2777.97	4.50	2.24	12.41	100.72	1392.61
77 Other Financial(21)	2622.26	–0.5	2634.36	2631.54	2623.13	2063.25	3.99	1.81	17.29	62.05	1505.43
79 Property(41)	1520.75	–0.1	1522.26	1528.79	1522.60	1462.44	4.19	1.25	23.81	35.64	944.23
80 INVESTMENT TRUSTS(126)	3141.96	+0.3	3134.12	3137.00	3138.30	2820.86	2.23	1.11	50.41	42.89	1102.16
89 FT-SE-A ALL-SHARE(900)	1876.47	+0.9	1858.38	1863.54	1862.96	1658.02	3.83	2.04	16.03	44.61	1595.19
FT-SE-A Fledgling	1248.01	+0.1	1247.32	1246.95	1245.19	1007.18	2.79	2.46	18.26	17.69	1308.47
FT-SE-A Fledgling ex Inv Trusts	1260.34	+0.1	1259.49	1258.85	1256.70	998.82	3.00	2.66	15.67	19.21	1321.97

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3718.8	3720.2	3724.2	3725.1	3732.8	3735.7	3738.9	3746.9	3756.4	3760.7	3717.5
FT-SE Mid 250	4364.8	4365.1	4365.6	4366.9	4368.4	4367.8	4369.7	4370.7	4371.4	4372.8	4363.9
FT-SE-A 350	1875.4	1875.6	1877.2	1877.7	1880.8	1881.9	1882.5	1886.6	1890.4	1892.1	1874.5

Time of FT-SE 100 Day's high: 4:28 PM Day's low: 9:23 AM. FT-SE 100 1996 High: 3857.1 (19/04/96) Low: 2984.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1184.7	1184.5	1186.4	1188.2	1188.2	1187.8	1187.8	1188.1	1190.1	1190.1	1184.8	+6.3
Pharmaceuticls	5130.2	5140.5	5153.4	5176.3	5178.8	5182.5	5183.8	5200.2	5213.4	5223.2	5127.9	+95.3
Water	2138.0	2137.9	2140.8	2141.7	2143.9	2143.6	2143.6	2145.2	2146.7	2150.8	2137.3	+13.5
Banks, Retail	4080.1	4057.7	4066.0	4067.9	4081.9	4081.8	4082.8	4097.1	4114.9	4122.5	4032.6	+89.9

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

 † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Deletion: Central Motor Auctions. (Fledgling)

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i	[illegible]	[illegible]	[illegible]
ASDA Group†	[illegible]	[illegible]	[illegible]
Abbey National†	[illegible]	[illegible]	[illegible]
Albert Fisher	[illegible]	[illegible]	[illegible]
Allied Domecq†	[illegible]	[illegible]	[illegible]
Anglian Water	[illegible]	[illegible]	[illegible]
Argos	[illegible]	[illegible]	[illegible]
Arjo Wiggins	[illegible]	[illegible]	[illegible]
Assoc. Brit. Foods	[illegible]	[illegible]	[illegible]
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
BAA†	[illegible]	[illegible]	[illegible]
BAT Inds†	[illegible]	[illegible]	[illegible]
BICC	[illegible]	[illegible]	[illegible]
BOC†	[illegible]	[illegible]	[illegible]
BPB Inds	[illegible]	[illegible]	[illegible]
BT†	5,300	347½	+6
BTR†	4,100	251	+6
Bank of Scotland†	4,100	236	+6
Barclays†	3,600	790	+17
Bass†	1,300	829½	+6½
Blue Circle†	1,500	370½	+6½
Booker	62	375	+1
Boots†	2,100	587	+1
Britannic	191	723	–
Brit. Aerospace†	870	985	+8
British Airways†	3,500	538	–
British Biotech	154	2368	+12
British Gas†	4,200	183	+1½
British Land	308	425	–2
British Steel†	2,300	171	+1½
Bunzl	344	230	–1
Burmah Castrol†	865	1019	+1
Burton†	349	154½	+1½
Cable & Wire†	1,800	418	+4
Cadbury Schweppes†	3,000	512	+2½
Caradon	627	214½	–1½
Carlton Comms.†	1,900	503	–3
Chubb	638	328	+4
Coats Viyella	135	178	–2
Comm. Union†	1,200	579	+3
Compass	726	588	–2
Cookson†	3,100	272	–4½
Courtaulds†	273	430	+3
Dalgety	1,100	349	+4
De La Rue	1,500	617	+18
Dixons†	419	524	+4
East Midland Elect.	472	552	+3
Electrocomps	104	384	+2
Eng China Clays	2,400	274	+1
Enterprise Oil†	1,400	473	+8
Eurotunnel Units	219	98	–
FKI	1,100	177	+1
Foreign & Col. I.T.	1,000	156	+1
Gen. Accident†	916	648	+1
General Elect.†	7,300	371½	+8¾
Glaxo Wellcome†	3,800	889½	+22½
Glynwed	497	335	–2
Granada†	10,700	836	–2
Grand Met.†	6,700	423	+8
GUS†	1,300	620	+3
Greenalls	[illegible]	574	–
GRE†	1,300	245	+1
GKN†	610	1003	+2
Guinness†	1,700	472	+6
HSBC (75p shs)†	4,300	1048	+19
Hammerson	88	368	–3
Hanson†	9,000	175	+2
Harrisons Crosfield	545	133	–1
Hays	1,200	461	–
Hillsdown	997	176	+1
Hyder	1,100	703	+3
IMI	1,400	367	+6
ICI†	665	790	+7
Inchcape	1,400	282	–5
Johnson Matthey	139	619	–1
Kingfisher†	1,800	635	–2
Kwik Save	78	456	–3
Ladbroke†	9,300	185½	–3
Land Securities†	2,400	624	+1
Laporte	100	703	+4
Legal & General†	511	686	+1
Lloyds Abbey	950	525	+6
Lloyds TSB†	10,200	332	+7½
LASMO†	2,500	177	+2
London Elect	37	620	–3
Lonrho	950	184½	–1
Lucas	3,800	228	–
MEPC	394	410	–1
MFI	1,700	178	+2
Marks & Spencer†	3,200	481	+4½
Mercury Asset Man	746	966	+2
Midlands Elect	7	419	–
Morrison (Wm.)	1,600	161	+1
NFC	770	186	–
NatWest Bank†	7,100	634	+17
National Grid†	4,100	174	+2
National Power†	6,200	534	+10
Next†	250	561	–1
Northern Elect.	232	883	–3
Northern Foods	913	181	+1
Orange†	5,400	212½	–
Pearson†	1,200	687	+13
P & O†	1,300	485	+6½
Pilkington†	9,200	188	+5
PowerGen†	650	477	+5
Premier Farnell	1,200	654	–8
Prudential†	3,000	410	+5
REXAM	4,100	340	+7
RMC†	459	1036	+9
RTZ†	2,400	945	–14
Racal	480	310	+3
Railtrack	1,400	215	–
Rank Org.†	4,600	486	–1
Reckitt & Colman†	444	695	+10
Redland†	865	402	+5
Reed Intl.†	1,800	1093	+11
Rentokil†	1,000	419	+1
Reuters†	1,100	776	+4
Rolls Royce†	9,000	229	+5
Ryl Bk Scotland†	2,800	496	+7½
Royal Insurance†	2,100	400	+4
Safeway†	2,100	389	+1
Sainsbury†	7,700	368	–9
Schroders†	17	1363	+5
Scottish & New.†	744	676	+6
Scot. Hydro-Elect.	1,400	298	–1
Scottish Power†	1,300	302	+1
Sears	1,400	99	–
Sedgwick	549	137	–
Severn Trent†	1,900	643	+6
Shell Transport†	2,800	945½	+16½
Siebe†	365	876	+2
Slough Ests	460	222	–3
Smith (W.H.)	1,100	487	–3
Smith & Nephew†	1,900	207½	+2½
SmKl Beecham†	2,700	720	+13
Smiths Inds.†	318	668	–1
Southern Elect†	277	722	–
South West Water	16	665	–
Southern Water	731	1014	+2
Standard Chartd.†	2,800	644	+11
Storehouse	3,000	317	–3
Sun Alliance†	3,300	376	+8
T&N	1,600	142	–2
TI Group†	319	544	–1
Tarmac	4,000	116	+1
Tate & Lyle†	714	466	+6½
Taylor Woodrow	876	165	+1
TeleWest Comms	0	158	–
Tesco†	6,600	302¼	+4¼
Thames Water†	475	571	–1
Thorn EMI†	311	1793	+18
Tomkins†	3,600	249	+6
Unigate	2,600	395	+1
Unilever†	1,200	1281	+4
United Biscuits	2,100	222	+6
Utd. News & Media†	2,200	670	–10
United Utilities†	1,100	563	+11
Vodafone†	2,100	242	+3
WPP	1,800	221	+4
Wessex Water	354	350	–1
Whitbread†	803	731	+2
Williams Hldgs.†	857	337	+4
Willis Corroon	79	151	–
Wimpey	621	150	+5
Wolseley†	186	451½	+1½
Yorkshire Elect	141	733	+1
Yorkshire Water	343	661	–1
Zeneca†	836	1441	+6

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

INDICES

US INDICES

Dow Jones	Jul 3	Jul 2	Jul 1	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5703.02	5720.38	5729.98	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.96	101.80	101.76	108.09 (14/2)	101.03 (8/5)	108.77 (18/10/93)	54.98 (1/10/81)
Transport	2196.89	2202.03	2215.44	2296.20 (22/5)	1882.71 (18/1)	2298.29 (22/5/96)	12.32 (8/7/32)
Utilities	219.88	220.72	220.85	234.08 (12/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5740.93 (5769.88) Low 5656.47 (5669.29) (Theoretical‡)
Day's high 5720.75 (5733.81) Low 5682.70 (5695.63) (Actual‡)

Standard and Poors	Jul 3	Jul 2	Jul 1	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	672.40	673.61	675.88	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	797.77	799.53	802.23	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/82)
Financial	67.94	67.94	68.13	69.58 (5/3)	58.67 (10/1)	69.59 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	360.37	361.01	361.70	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	579.85	579.56	580.25	614.99 (22/5)	529.85 (18/1)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1181.60	1191.15	1187.45	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Jun 28	Jun 21	Jun 14	Year ago
Dow Jones Ind. Div. Yield	2.19	2.17	2.19	2.44
	Jun 26	Jun 19	Jun 12	Year ago
S & P Ind. Div. yield	1.87	1.87	1.87	2.14
S & P Ind. P/E ratio	22.29	22.22	19.65	18.60

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Hewlett-Pckrd	5,426,200	84⅛	-3½
Digital Equip	3,819,100	39⅛	-1¾
Mirage Res	3,741,100	24½	-¾
Telefonica P	3,605,600	22¼	-⅛
Chrysler	3,498,700	59¼	-3¾
Pepsico	3,269,100	34¼	-⅝
ADT	3,117,500	21⅞	-⅜
Ford Motor	3,051,600	31⅞	-1½
Coca Cola	2,922,000	48⅞	-⅛
IBM	2,430,000	96⅛	-1½

■ TRADING ACTIVITY

● Volume (million)

	Jul 3	Jul 2	Jul 1
New York SE	334.568	399.997	347.868
Amex	17.524	20.218	18.151
NASDAQ	510.720	538.167	514.148
NYSE			
Issues Traded	3,156	3,180	3,165
Rises	1,084	1,213	1,425
Falls	1,213	1,116	1,092
Unchanged	879	851	708
New Highs	83	82	76
New Lows	38	28	28

■ S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	675.75	678.10	-	678.60	675.75	52,820	170,869
Dec	-	682.35	-	685.10	681.30	874	7,114

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	22490.0	22430.0	-110.0	22430.0	22270.0	14,566	224,850
Dec	22360.0	22360.0	-70.0	22360.0	22340.0	3	4,138

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♥ Subject to official recalculation.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO - MOST ACTIVE STOCKS: Thursday, July 4, 1996

	Stocks Traded	Closing Prices	Change on day
Ishihara Sangyo	7.6m	460	+19
Keisei Ele Ry	5.9m	1240	-30
Mitsui Fudosan	4.4m	1470	-40
Toshiba Corp	3.3m	766	-9
Kanematsu Corp	3.1m	739	-26
Nissin Electric	2.3m	918	-26
Shimadzu Corp	2.2m	756	+8
Nihon Nosan Kygo	2.1m	524	-15
Nissho Iwai	2.0m	617	+3
Nippon Stl Corp	2.0m	368	+1

EUROPE

Nestlé, L'Oréal climb on stake sale rumours

Nestlé, the Swiss food and beverages group, and L'Oréal, the French cosmetics company, were marked up on rumours that Nestlé planned to sell its indirect stake in the French concern.

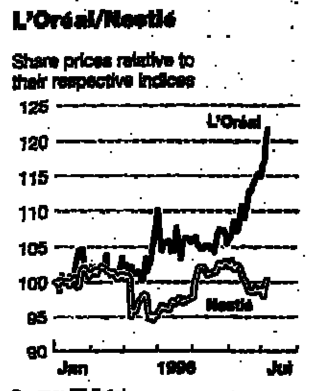
Nestlé finished SFr19, or 1.3 per cent, ahead at SFr1,468, off a high of SFr1,496, and L'Oréal picked up FFr35, or 2.2 per cent, to FFr1,655 as both companies declined to comment on the rumours, which originated in the Paris market.

The Swiss group, which had underperformed the strong Zurich market for much of this year, stepped into the limelight on Wednesday with a 1.9 per cent rise on separate rumours that it planned to buy back its shares, and that it would carry out a top level management restructuring, along the lines of that announced by Unilever, the Anglo-Dutch group, on Monday.

FRANKFURT was good in parts. The Dax index rose 12.42 to an Ibis-indicated 2,578.74; Thyssen, the steel and engineering group, gained DM3.55 to DM287 on speculation about its prospects in telecoms; and Hannover Re advanced DM2.70 to a new high of DM61.50 after it indicated a 30 to 40 per cent rise in net profits last year.

However, the bourse had its laggards. Karstadt, the leading department store group, fell DM13 to DM591 after the upward rerating enjoyed by the shares in the second quarter of this year; Escom, the ailing computer group, came back from suspension to close DM2.13 lower at DM2.50; and Deutsche Babcock hit DM63 before closing DM14, or 17 per cent, down at a 1996 low of DM68.50.

Mr Theo Kitz at Merck Finck in Düsseldorf said that Babcock had been promising restructuring and recovery over the last three or four years, and annually running into problems like the dollar, high wage agreements, or loss-making subsidiaries. Most analysts, he said, were sceptical about its ability to deliver.



Source: FT Extel

PARIS closed near its highs, encouraged by a small cut by the Bank of France's intervention rate, from 3.60 to 3.55 per cent. The CAC-40 index rose 12.83 to 2,126.81.

Speculation in the Docks de France situation moved on to Casino, the retailer which might have qualified as a white knight in fighting off the Auchan bid, which did not appear in that guise and which, said analysts, could eventually become a takeover target itself. Casino moved up FFr6.20 to FFr215.50.

Lafarge, the cement group, rose FFr6 to FFr323 after figuring in relatively takeover situations in the UK, and in Poland.

ZURICH climbed to a third consecutive all-time high as attention switched from the banks to Nestlé and the pharmaceuticals. The SMI index finished 14.3 higher at 3,771.3, but off its all-time intra-day peak of 3,793.1.

Winterthur rose SFr23 to SFr786, continuing to benefit from expectations that its co-operation with CS Holding, to be renamed Credit Suisse Group, would prove more beneficial to the insurer. CS Holding eased SFr3 to SFr131 after its recent strong gains.

MILAN extended early gains on news that Moody's, the US ratings agency, had upgraded Italy's sovereign debt rating, but it ended just off session highs, awaiting today's data on US June jobs and official Italian inflation figures for June.

The Comit index rose 6.65 to 661.69 and the real-time Mibtel index finished 82 higher at 10,471 off a peak of 10,565.

Analysts said that the Moody's move, announced late on Wednesday, had been long expected, but was still a welcome boost to the market. They added that figures showing that Italian investment funds had a higher net inflow in June over May helped to maintain the early gains.

Olivetti gave back L14.8 to L871.4 of Wednesday's 6.5 per cent advance. News that the group's personal computer company broke even in the second quarter and that Mr Francesco Caio had been appointed as Olivetti's CEO came after the market closed.

AMSTERDAM liked the US rate decision and the Russian election result, but volume was paper thin as the AEX index rose 2.65 to 562.96.

Heineken, the brewer, rebounded from Wednesday's rumours that a US broker had been mildly bearish, putting on Fl 11 at Fl392; and Elsevier, the publisher, closed 40 cents higher at Fl 26.10, helped by news of its plans for a joint venture with a US company to buy the US legal citation business Shepard's.

MADRID saw a good rise in Telefónica, touted again as a medium term privatisation prospect, the shares closing Pta20 higher at Pta2,320 in volume of some 2m as the general index firmed 1.66 to 373.01.

Turnover was nearly Pta35bn. In banks, BBV rose Pta50 to Pta5,380 in 241,000 shares dealt as it denied that it was bidding for a Portuguese bank, but forecast that it would invest Pta280bn (some $2bn) in Latin America between now and the year 2000.

STOCKHOLM's banking and insurance sector performed reasonably well, rising 0.6 per cent after Swedish government debt yields narrowed against a fall of 4.6 to 1,986.0 in the Affärsvärlden General index.

In pharmaceuticals, Astra A lost ground, falling SKr2.50 to SKr279 as investors took a look at Pharmacia & Upjohn, unchanged at SKr296 on the Swedish day, but slightly higher in New York later after the US Food and Drug Administration approved the non-prescription sale of its Nicotrol smoking pads in the US.

COPENHAGEN ground its way to another all-time peak, the KFX index closing 0.18 higher at 118.35 in turnover of DKr738m. Novo Nordisk put on DKr6 at DKr851, bolstered by a Goldman Sachs forecast of solid profit rises in the next three years. The construction, chemicals and packaging group Superfos took over two chemical companies in Sweden and Norway for an undisclosed price, and strengthened DKr15 to DKr565.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

Jul 4	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1707.54	1708.85	1710.84	1711.33	1711.48	1711.67	1710.32	1709.78
FT-SE Eurotrack 200	1738.95	1738.71	1739.63	1741.04	1741.63	1741.10	1742.13	1743.09

	Jul 3	Jul 2	Jul 1	Jun 28	Jun 27
FT-SE Eurotrack 100	1705.25	1705.84	1701.21	1698.43	1693.02
FT-SE Eurotrack 200	1738.15	1738.65	1731.91	1726.44	1716.38

Base value 1000 (26/10/90) High/day: 100 - 1712.05; 200 - 1744.19 Low/day: 100 - 1707.80 200 - 1738.95 † Partial.

East Europe gives strong welcome to Yeltsin's re-election

Eastern Europe's emerging equity markets marched smartly higher in response to Mr Boris Yeltsin's clear victory in Wednesday's run-off presidential election.

MOSCOW made an enthusiastic start, with brokers initially quoting share prices between 10 and 20 per cent higher on expectations that Mr Yeltsin's win would prompt heavy Western buying during the session.

Activity dwindled when the foreign demand failed to materialise but the Moscow Times index still finished 21.02 or 6.4 per cent stronger at a record 351.01 and the Russian Trading System index of 21 leading shares ended 8.8 per cent ahead at an all-time high of 227.78.

Mr James Cornish, European strategist at NatWest Markets, who is hopeful on the outlook for the Russian equities, attributed the lack of foreign demand to the absence of many international investors for the US Independence Day holiday, adding that "the cannier ones were in there already".

He said that over the last two months many investors had discounted a Yeltsin victory and had already been buyers. For other would-be investors, the key question was what Mr Yeltsin would do now.

Mr Cornish believed that many foreign investors would hope to see some of the serious reformers in top jobs in the new government, which faced a series of tough decisions, one of the first of which was how to tackle the budget deficit.

WARSAW leapt 4 per cent to a 27-month high on expectations that Mr Yeltsin's victory would help to draw foreign capital to central European markets, as well as to Russia. The Wig index rose 544.1 to 14,343 as investors overlooked reports that the central bank chairman had ruled out a reduction in interest rates in the near future.

BUDAPEST reversed three days of profit-taking and the Bux index finished 38.44 firmer at 3,286.58, just below the record high of 3,288.30 seen on June 28.

PRAGUE's RPIX index rose 5 to 1,150, but turnover fell to just Kcs2.6m as the market wound down ahead of a national holiday today.

ASIA PACIFIC

Reports of alleged irregular transactions hurt Daiwa

Tokyo

Reports of alleged irregular client transactions some years ago at Daiwa Securities in the US were a talking point as equities closed moderately lower, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average lost 85.11 at 22,292.91 after moving between 22,203.88 and 22,354.20. The decision by US and Japanese monetary authorities to maintain interest rates at current levels failed to improve sentiment.

Volume shrank to 250m shares from 302m as domestic investors refrained from trading due to the US national holiday. Public funds placed orders at lower levels but failed to spur active buying.

The Topix index of all first section stocks fell 6.05 to 1,692.29 and the Nikkei 300 by 1.12 to 313.93. Declines led advances by 666 to 326, with 218 issues unchanged.

In London the ISE/Nikkei 50 index put on 0.74 at 1,506.37.

Some investors were concerned by the Daiwa reports, and the broker, although it played them down, lost Y20 to Y1,380; its competitors, too, were lower, with Nikko down Y30 at Y1,180.

Investors in carmakers were concerned about an expected decline in domestic car sales for June. The sector had led the market's rise during the first half of the year and seemed vulnerable to profit-taking, said traders. Honda Motor declined Y50 to Y2,780 and Mazda Motor by Y13 to Y523.

Keisei Electric Railway declined Y30 to Y1,240 in spite of reports that its subsidiary Oriental Land, which runs Tokyo Disneyland, had applied for listing on the Tokyo stock exchange. Mitsui Fudosan, which is also a leading stakeholder in Oriental Land, fell Y40 to Y1,470.

Speculative favourites were lower as individual investors and dealers moved to take profits. Kanematsu fell Y28 to Y739 and Nissin Electric Y36 to Y918. However, the most active issue of the day, Ishihara Sangyo, gained Y10 to Y1,420.

In Osaka, the OSE average dipped 63.17 to 23,494.43 in volume of 20.8m shares.

Roundup

Solid gains were seen in HONG KONG as investors bought blue chips and the Hang Seng index moved ahead 118.54 to 11,181.82 in turnover that improved to HK$4.9bn.

Wednesday's news that the government had given final approval for a mortgage corporation, which would allow banks to offload some of their mortgage loans, boosted banking stocks.

HSBC advanced HK$2 to HK$122.50, breaking through resistance at HK$120, and taking its rise on the week to date to HK$5.50.

SINGAPORE was weak for a sixth consecutive day in further response to recent, disappointing corporate results, and amid suggestions that fund managers were switching funds to Hong Kong. The Straits Times Industrial index eased 3.25 to 2,268.31 in modest volume of 104.8m shares.

The newly listed engineering company Lindeteves-Jacoberg ended at 73 cents, against an issue price of 67 cents, in hefty volume of 21.1m shares.

KUALA LUMPUR saw further volatile trade in Sarawak Concrete Industries, in spite of trading restrictions imposed by the exchange authorities. The shares, marked 59 per cent higher on Wednesday, dropped M$2.10 to M$14 in early trade before surging ahead to close M$10.40 or 65 per cent higher at M$26.50. The rise has been linked to speculation about new projects related to the Bakun dam.

The broad market was held back by declines in key stocks like Telekom Malaysia, down 30 cents to M$22, which face more competition after the government's new hands-off approach to industry rationalisation. The composite index edged up 2.85 to 1,137.92.

WELLINGTON featured weakness in forestries, Fletcher Forest losing 4 cents at NZ$1.70, with brokers citing reports of lower log prices for export to Japan and South Korea. Carter Holt Harvey handed back part of Wednesday's gains, shedding 5 cents to NZ$3.44, while Fletcher Paper was off 5 cents at NZ$2.88.

The NZSE-40 capital index closed 8.22 lower at 2,120.17 after climbing 22 points in heavy trade on Wednesday. Turnover was NZ$53.8m. Some NZ$25m was crossed before the opening, with large lines in Fletcher Challenge Paper, energy and forests.

SYDNEY's All Ordinaries index fell 10.1 to 2,225.7, in turnover of A$534m, as further selling emerged among the major miners. WMC dropped 24 cents to A$8.54 as investors took their funds out of the gold and nickel mining group, and CRA fell 22 cents to A$19.33 on weak base metal prices.

BOMBAY swung wildly on rumours that the government had revised downwards its schedule of sharp price increases for petroleum and products.

The BSE 30-share index touched a low of 3,611.96 in early trading, before bouncing to a high of 3,730.10 and settling 45.71 ahead on the day at 3,701.74.

KARACHI ended lower on speculative activity in a few blue chips, with major players on the sidelines ahead of a three-day break, including Sunday's religious holiday. The KSE 100 index fell 16.21 to 1,653.92, with PTCL off PRs1.05 at PRs38.75 and Hub Power PRs1.10 lower at PRs34.20.

● Manila took its own independence day holiday.

AMERICA

Toronto edges higher

Toronto edged ahead after a mixed opening, aided by stronger golds, but in quiet trade in the absence of Wall Street, closed for the Independence Day holiday. The TSE 300 composite index rose 4.29 by noon to 5,078.20 in volume of 23m shares.

Analysts noted that Canadian treasury bills strengthened after Wednesday's decision by the US Federal Reserve to keep short-term interest rates steady. Banks were beneficiaries, with Bank of Nova Scotia and Bank of Montreal each rising 5 cents, to C$33.30 and C$34.10 respectively.

Among gold stocks, Arequipa Resources rose C$2.45 to C$19.75. Gibraltar Mines lost C$1.05 to C$6 after the company said that the recent collapse in copper prices would delay development of a copper project in northern Chile.

Latin America

Mexico City was weak in quiet midsession trade. The IPC index fell 5.03 to 3,176.77, with much of the morning's action seen in Camesa A shares, which picked up 3.4 per cent to 3.62 pesos in heavy trading.

SOUTH AFRICA

Johannesburg's gold shares followed the bullion price down, while industrials suffered a dull day, finishing mixed but having broken free in afternoon dealings from a tight trading band to close slightly firmer.

The overall index edged 2.8 higher to 6,916.5, industrials gained 8.1 at 8,196.9 and golds declined 16.9 to 1,802.8.

FT/S&P ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT/S&P Actuaries World Indices as at JUNE 28, 1996 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 28/06/96 (US$m)	% of World Index	Market cap. as at 29/03/96 (US$m)	% of World Index	% chge in $ Index since 29/12/95
Australia (79)	179691.3	1.43	178840.1	1.46	6.00
Austria (25)	19558.9	0.16	18518.5	0.15	5.58
Belgium (27)	81878.2	0.65	78713.2	0.64	0.01
Brazil (28)	55067.0	0.44	46962.6	0.38	28.15
Canada (96)	184570.3	1.47	180735.8	1.48	7.59
Denmark (30)	38008.8	0.30	40459.7	0.33	4.95
Finland (23)	30669.5	0.24	28900.4	0.24	2.54
France (96)	410184.8	3.27	403006.4	3.29	10.25
Germany (60)	429616.5	3.43	427981.6	3.50	5.27
Hong Kong (59)	252957.7	2.02	251562.9	2.06	11.35
Ireland (16)	21774.5	0.17	19911.5	0.16	12.30
Italy (59)	155310.8	1.24	136844.5	1.12	11.13
Japan (481)	2886299.2	23.02	2842179.5	23.23	1.11
Malaysia (107)	136002.9	1.08	132671.8	1.09	16.52
Mexico (18)	45716.8	0.36	44799.3	0.37	19.07
Netherland (19)	252392.0	2.01	243231.1	1.99	9.15
New Zealand (15)	22088.1	0.18	22720.7	0.19	0.55
Norway (35)	27077.7	0.22	25199.6	0.21	8.39
Singapore (44)	65923.3	0.53	69457.7	0.57	2.40
South Africa (45)	131495.1	1.05	140766.3	1.15	-5.96
Spain (37)	125241.6	1.00	117378.8	0.96	10.96
Sweden (48)	149357.3	1.19	140169.9	1.15	14.50
Switzerland (38)	339338.1	2.71	346946.2	2.84	3.44
Thailand (46)	22542.1	0.18	24120.1	0.20	-1.16
United Kingdom (200)	1107722.7	8.83	1086460.3	8.88	1.95
USA (627)	5369418.4	42.82	5184974.5	42.38	8.55
Americas (771)	5654773.4	45.09	5457512.8	44.61	8.76
Europe (713)	3188128.4	25.42	3113521.6	25.45	6.30
Nordic (136)	245112.3	1.95	234629.6	1.92	10.56
Pacific Basin (831)	3385502.6	26.43	3521753.1	28.79	2.49
Euro-Pacific (1544)	6753631.0	53.86	6635574.7	54.24	3.80
North America (725)	5553989.7	44.29	5365730.2	43.86	8.52
Europe Ex. UK (513)	2080405.8	16.59	2027161.3	16.57	7.60
Pacific Ex. Japan (350)	679203.4	5.42	679573.3	5.55	8.85
World Ex. US (1733)	7170420.1	57.18	7048699.0	57.62	3.94
World Ex. UK (2160)	11432116.8	91.17	11147212.9	91.12	6.39
World Ex. Japan (1879)	9653540.3	76.98	9391493.5	76.77	7.37
The World Index (2360)	12539839.5	100.00	12233673.3	100.00	5.66

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 3 1996								TUESDAY JULY 2 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (79)	199.26	-1.2	189.48	139.27	158.00	169.52	-1.1	4.34	201.65	192.11	140.59	160.08	171.34	212.18	163.30	163.50
Austria (24)	181.92	0.8	172.99	127.15	144.25	144.19	0.7	1.96	180.48	171.96	125.65	143.28	143.22	198.96	168.11	196.38
Belgium (27)	211.72	0.2	201.33	147.98	167.88	164.05	0.2	4.06	211.25	201.26	147.07	167.70	163.74	215.81	166.06	195.64
Brazil (28)	185.44	1.3	176.34	129.61	147.04	343.11	1.3	1.90	183.07	174.42	127.48	145.34	338.74	185.44	123.97	130.96
Canada (120)	161.31	0.5	153.40	112.74	127.91	158.95	0.3	2.27	160.51	152.92	111.75	127.42	158.50	166.12	134.14	143.23
Denmark (30)	307.99	0.5	292.88	215.26	244.22	246.15	0.4	1.87	306.49	291.99	213.38	243.31	245.21	307.99	276.89	279.19
Finland (23)	195.06	0.1	185.49	136.33	154.67	191.51	0.1	2.61	194.97	185.75	135.74	154.78	191.39	276.11	171.73	238.80
France (96)	196.73	0.3	187.07	137.50	155.99	159.11	0.2	3.03	196.14	186.86	136.55	155.71	158.88	196.39	167.70	188.82
Germany (59)	171.86	-0.2	163.43	120.12	136.27	136.27	-0.3	1.82	172.17	164.03	119.87	136.68	136.68	174.38	155.66	156.61
Hong Kong (59)	431.36	-0.4	410.21	301.50	342.06	428.70	-0.4	3.33	433.09	412.61	301.52	343.82	430.41	451.19	346.81	356.07
Indonesia (27)	214.56	-0.3	204.05	149.98	170.15	306.12	-0.4	1.49	215.21	205.03	149.83	170.85	307.21	-	-	-
Ireland (16)	284.63	-0.7	270.68	198.93	225.69	251.02	-0.7	3.42	286.72	273.16	199.61	227.61	252.90	290.82	235.88	237.58
Italy (59)	81.44	0.8	77.44	56.92	64.57	93.36	0.7	2.38	80.75	76.93	56.22	64.10	92.70	84.59	67.22	73.99
Japan (481)	154.14	-0.4	146.57	107.73	122.22	107.73	-0.1	0.71	154.82	147.50	107.79	122.91	107.79	164.66	137.75	142.75
Malaysia (107)	558.41	-0.2	531.01	390.29	442.78	536.06	-0.3	1.69	559.79	533.32	389.73	444.40	537.80	585.09	425.77	525.17
Mexico (18)	1223.09	-0.6	1163.07	854.85	969.82	10176.57	-0.3	1.31	1230.48	1172.29	856.67	976.84	10206.47	1325.65	791.99	1027.91
Netherland (19)	296.66	0.5	282.10	207.35	235.23	231.59	0.1	3.11	295.77	281.78	205.91	234.80	231.24	299.69	248.79	251.24
New Zealand (15)	81.62	1.1	77.61	57.05	64.72	63.46	1.5	4.27	80.69	76.88	56.18	64.06	62.56	85.49	75.94	80.25
Norway (35)	253.86	-0.1	241.40	177.43	201.29	224.11	-0.2	2.02	254.09	242.08	176.90	201.72	224.64	256.94	222.24	234.59
Philippines (22)	219.44	1.4	208.67	153.37	174.00	286.35	1.4	0.63	216.46	206.23	150.70	171.84	282.47	-	-	-
Singapore (44)	411.93	-0.8	391.71	287.91	326.63	268.34	-0.7	1.42	415.17	395.53	289.04	329.59	270.18	465.21	385.81	393.31
South Africa (44)	364.18	0.3	346.31	254.54	288.77	344.54	0.3	2.10	362.93	345.76	252.67	288.12	343.62	457.78	339.37	339.37
Spain (37)	181.63	-0.6	172.72	126.95	144.02	176.51	-0.6	3.27	182.69	174.05	127.19	145.03	177.60	189.85	145.15	147.96
Sweden (48)	355.93	-0.0	338.46	248.77	282.23	351.68	-0.4	2.42	355.94	339.11	247.81	282.57	353.11	380.77	273.41	273.41
Switzerland (37)	244.88	-0.1	232.87	171.15	194.17	190.53	0.2	1.56	245.00	233.42	170.57	194.50	190.21	252.34	191.24	202.91
Thailand (45)	172.28	2.9	163.82	120.41	136.60	169.91	3.0	1.94	167.46	159.54	116.58	132.94	165.02	193.95	146.74	167.87
United Kingdom (200)	234.63	-0.1	223.12	163.99	186.05	223.12	-0.3	4.18	234.84	223.73	163.49	186.43	223.73	237.49	214.95	214.95
USA (627)	273.52	-0.3	260.09	191.17	216.88	273.52	-0.3	2.16	274.22	261.25	190.92	217.70	274.22	276.47	223.46	223.46
Americas (783)	249.92	-0.2	237.66	174.68	198.17	210.09	-0.2	2.16	250.45	238.61	174.37	198.83	210.55	252.43	204.63	204.63
Europe (710)	211.69	0.0	201.28	147.94	167.83	184.97	-0.1	3.06	211.60	201.59	147.31	167.98	185.13	211.82	189.33	189.75
Nordic (136)	306.03	0.1	291.01	213.89	242.66	266.15	-0.2	2.31	305.81	291.35	212.91	242.77	266.69	306.81	251.13	254.48
Pacific Basin (879)	167.10	-0.4	158.90	116.79	132.50	118.72	-0.1	1.18	167.83	159.89	116.84	133.23	118.86	177.01	148.88	162.82
Euro-Pacific (1589)	185.56	-0.2	176.45	129.69	147.13	143.84	-0.1	2.06	185.95	177.16	129.46	147.62	143.99	190.57	166.51	166.11
North America (747)	266.61	-0.2	253.62	186.34	211.40	265.67	-0.2	2.17	267.20	254.56	186.03	212.12	266.49	268.52	218.52	218.52
Europe Ex. UK (510)	193.82	0.1	184.31	135.46	153.68	161.38	0.0	2.46	193.64	184.48	134.81	153.72	161.36	194.16	169.65	171.67
Pacific Ex. Japan (398)	287.40	-0.4	273.29	200.87	227.88	248.78	-0.4	2.96	288.56	274.91	200.90	229.08	249.70	295.68	243.59	245.98
World Ex. US (1799)	186.98	-0.2	177.78	130.67	148.25	148.36	-0.1	2.06	187.28	178.42	130.38	148.67	148.48	191.55	167.58	168.66
World Ex. UK (2226)	211.64	-0.2	201.25	147.92	167.81	180.29	-0.1	1.80	212.10	202.07	147.67	168.38	180.63	213.05	182.74	182.74
World Ex. Japan (1945)	246.51	-0.1	234.42	172.29	195.47	233.31	-0.2	2.51	246.86	235.18	171.86	195.97	233.73	247.55	209.74	209.74
The World Index (2426)	213.72	-0.2	203.23	149.37	169.47	184.39	-0.1	2.11	214.16	204.03	149.10	170.02	184.67	214.95	186.56	186.56

CONSTITUENT CHANGE 4/7/96: Name change: Argyll Group to Safeway (UK). Latest prices were unavailable for this edition.

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MANAGEMENT

Buyers beware when handing over responsibility for IT to a third party, warns **Alan Cane**

Tapping into outsourcing

Painted by some as the data processing equivalent of selling the family silver, few areas of information management create as much controversy as outsourcing.

An increasingly fashionable practice of devolving responsibility for a company's data processing activities to a third party, it has been hailed as a way of regaining managerial and financial control over the notoriously wayward information technology function. Critics maintain, however, that outsourcing contracts frequently favour the vendor and that savings are hard to identify. New research in the US and Europe suggests they may be right.

Commitment to outsourcing varies from company to company. Some contract out single IT services while others transfer not only their entire processing workload but also responsibility for their IT staff and equipment.

Once dominated by a few big players – EDS and CSC in the US, and Hoskyns Group (now part of Cap Gemini Sogeti of France) in the UK – the market has both fragmented and changed fundamentally with the advent of superdeals worth many millions of dollars and lasting up to a decade. EDS, for example, announced a $3.2bn, 10-year deal with Xerox Corporation in 1993.

US firms which have outsourced IT operations in this way include Eastman Kodak, Continental Airlines and General Dynamics. In the UK, the list includes BP Exploration, British Aerospace and government departments including the Inland Revenue and the Department of Social Security.

While there are clear dangers in giving away a company's information assets, the case for outsourcing on the grand scale is undeniably attractive. It offers companies the opportunity to cap IT spending while allowing them to concentrate on their core activities.

It should result in more effective IT; in a development which it calls "co-sourcing", EDS, the world's biggest outsourcing group, has introduced the concept of a partnership between itself and its customer to their mutual benefit. It is "a collaborative relationship based on delivering business value that is clearly defined and measured in the customer's terms."

Evidence is beginning to accumulate that outsourcing can deliver what it promises. An international survey* by The PA Consulting Group in June found a strong correlation between high levels of outsourcing and enhanced stock market performance. "The top five strategic sourcers outperformed the FT-SE index on average over three years by more than 100 per cent," PA notes. "The bottom five underperformed the FT-SE by more than 66 per cent."

However, the PA team subsequently revealed that only five per cent of the companies they questioned were getting the full benefits from their outsourcing contracts while avoiding drawbacks.

The biggest problem with most outsourcing contracts, according to a new study** from Templeton College, Oxford, is unanticipated costs. In one example, a petrol company was charged almost $500,000 in excess fees in the first month of a new contract.

One of the most exhaustive of its kind, the Templeton study was carried out by Mary Lacity, an assistant professor at the University of Missouri, and Leslie Willcocks, Fellow of Templeton. Both are veterans of the outsourcing debate and neither are likely to fall for outsourcing hyperbole. In a study published in 1993, Lacity warned that outsourcing was no panacea for information systems problems and that contracts carelessly written could attract unexpected costs.

The Templeton work takes this argument farther. In about half of 61 deals analysed in 40 US and UK organisations, the expected cost savings either failed to materialise or were not obvious.

Lacity and Willcocks are particularly critical of deals based on strategic partnerships between vendor and client, none of which produced the expected cost savings. "Strategic partnerships often result in poorly negotiated contracts which favour the vendors. Tailored contracts which fully specify costs and requirements are preferable," they say.

They are also critical of the fashion for long-term contracts: "Short-term contracts are preferable to long-term contracts for several reasons," they write. "First, technology and business conditions cannot be predicted for more than three years, thus making contracts increasingly outdated as time progresses.

"Second, short-term contracts motivate vendor performance because vendors realise customers may switch suppliers when the contract expires. Third, short-term contracts allow companies to recover and learn more quickly from mistakes."

David Thorpe, EDS managing director in the UK, counters that much depends on the nature and flexibility of the contract. There would be little point in forming a strategic partnership with a company looking only for commodity data processing. Co-sourcing comes into its own, he says, when the customer is looking for innovation. Also, there has to be an element of payment by results to make the partnership work.

Long-term contracts demand flexibility to take account of changes in technology and the business situation. While 10 years might be considered too long a period, three- or five-year contracts may create instability and concern for job security among staff transferred.

PA, the Templeton academics and EDS all agree that the contract is the key to successful outsourcing. Because vendors write several a month, while it may be a singular experience for their clients, the vendors hold all the aces.

The lesson for management is that simply signing away a company's IT systems will not solve its data processing problems. The company must decide what it wants from the deal in minute detail and set rigorous contractual terms to ensure satisfaction. They must also put in place mechanisms to monitor performance throughout the life of the contract.

**PA Strategic Sourcing 1996; PA Consulting Group, 123 Buckingham Palace Road, London SW1 9SR, UK, £395.*

***Best Practices in Information Technology Sourcing, Templeton College, Oxford University, UK, £65.*

JOHN KAY

How to make a price war pay

You have missed your chance to make 12 trips between London and Oxford for £15. The price war on the M40 is over. But there are plenty of other bargains around. Call in at your local Esso or BP station, visit your local supermarket. There is a mortgage sale at the building society and if you live in the south-west there is 25 per cent off gas.

A successful price war was the one Philip Morris began on Marlboro Friday, April 2 1993. The company cut the price of the world's best-selling cigarette by almost 20 per cent – and in the process knocked almost $10bn (£6.6bn) off the market value of the company.

What the market did not understand was that Marlboro Friday was not so much the beginning of a price war as the beginning of the end of a price war. Marlboro's share of the US cigarette market, once around 30 per cent, had fallen to 22 per cent. Producers of premium cigarettes, such as Marlboro, had responded to falling volumes of cigarette consumption by pushing up prices to maintain profits. Manufacturers of generic cigarettes had held down prices to maintain volume. The widening gap between premium and generic products had been filled by low-cost brands. American Tobacco – which had once dominated the US industry but had since undergone steady decline – was leader in that intermediate segment.

A price war can only pay if its long-run result is to change market structure or market behaviour. Philip Morris succeeded in doing both. The price war largely destroyed the cheap brands, and American Tobacco quit the market altogether, selling the remains of its operations to BAT.

And the threat of continuing price competition forced the terms of an armistice between the generic manufacturers and the premium producers. By 1995 Marlboro had regained its lost market share and premium and generic prices were drifting up together. The PM share price more than recovered its lost ground.

A few months after Marlboro Friday, News International cut the price of The Sun and The Times and began a price war in the British newspaper market. Three years later, it does not seem that they have succeeded in making a permanent change either to market structure or market behaviour. The Independent is still there, and the only paper to quit has been News International's title, Today. The Daily Telegraph accepted that it could maintain only a limited price differential over The Times.

Oxford remains the showpiece of bus deregulation. In the early days the city's traffic was brought to a halt by the density of competing bus services. Last autumn, the simmering rivalry between Thames Transit and the Oxford Bus Company became open warfare when the former offered an alternative to the latter's monopoly on the Heathrow run. Successive price cuts culminated in both companies offering a £3 return fare. The price war continued through the winter, with both companies filling their coaches but draining their revenues.

Identifiable objectives, depths of resources and strength of commitment are the keys to success in a price war

But as the academic year ends, the students disperse and the dons make their last trip to Heathrow until the September academic conference season. The balance of traffic shifts from knowledgeable and price-conscious regulars to the occasional tourists. Thames Transit offered an olive branch with a modest price increase. And last weekend both companies put their prices back to last summer's level. There seems no benefit which either company can show for their long bleak winter. No change in market structure: and pricing behaviour is as it was.

Why did Philip Morris succeed, and Oxford coach companies fail? The Marlboro cowboy war succeeded because there were clear, if necessarily tacit, objectives, and overwhelming commitment on the part of the initiator. Philip Morris's aspirations were to squeeze the middle segment of the market and to impose price discipline on the generic products. One of the reasons it succeeded in both was the more or less infinite resources which one of the world's largest companies could bring to bear, and the certainty that senior management reputations and jobs were on the line could have left rivals in no doubt that the company was determined to achieve its objectives.

The Oxford bus battle, by contrast, looks more like an instance of two firms drifting into a costly and unproductive mistake. The newspaper war fell somewhere in between: less clarity, less commitment and a strategy which, when it failed to kill any rival, seemed itself destined to fail. Where does this place Esso, who launched the petrol price war at the beginning of this year? Petrol seems more like tobacco than either buses or newspapers. Esso can hope to achieve both a change in market structure and a change in market behaviour. It can force out independent retailers and wholesalers who, like the generic brands in the US tobacco market, have no sustainable position in a market focused entirely on price. And it can establish a price accommodation with the supermarkets.

These can be allowed to discount by a penny or two but the majors have signalled that too much aggression on price or market share will be costly for everyone.

Identifiable objectives, depths of resources and strength of commitment are the keys to success in a price war. Philip Morris and Exxon have all of these. But don't launch one if you don't.

LEGAL NOTICES

INSOLVENCY RULES 1986

OLD CHELSEA DISTILLERS LIMITED

Nature of business: Bottlers & Distillers

Administration Order made: 20 June 1996

D NISBET *Administrator*

Dated 24 June 1996

INSOLVENCY RULES 1986

NORTH LODGE GARAGES AND SERVICES LIMITED

(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN pursuant to Rule 4.106 of the Insolvency Rules 1986 that Nigel Ruddock and Neil Hunter Cooper of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above named Company on 26 June 1996 by The Members.

Dated July 2 1996

NIGEL RUDDOCK and NEIL HUNTER COOPER *Joint Liquidators*

Sponsorship/Antony Thorncroft

ABSA makes the arts grow stronger

The sun shone through the open roof of Shakespeare's Globe; narrator Stephen Fry was present and urbane; the winners and losers at the FT/ABSA awards for outstanding contributions to arts sponsorship in 1995-96 behaved rapturously and stoically. It was a fine evening on Wednesday.

Sir Trevor Holdsworth, chairman of the judges, hit the mark with his observation that "ABSA makes the arts grow stronger"; Stephen Fry mellifluously introduced Colin Tweedy, ABSA's director general, as "never woolly, sometimes silky, always Tweedy"; and Sir Simon Hornby, chairman of ABSA, issued his customary warning against complacency.

Last year he drew attention to the danger of lottery demands on business siphoning away money needed to fund arts performances; this year he was concerned about the new breed of balance-sheet managers who have neither the time nor the inclination to appreciate how essential the arts are to a successful society.

Colin Tweedy announced that ABSA was seeking £20,000 a year for three years from 20 corporate friends of the arts to fund a campaign to educate the younger generation of managers in civic responsibility, and also bring the arts, and artists, into companies. In the past the emphasis has been on business giving money to the arts. In future there will as much stress on business giving its time and expertise.

★

When the Yorkshire Building Society took over the Hammond Sauce Works Brass Band in 1993 it was taking a gamble. The band had seen better days and was threatened with relegation from the brass bands first division. Paid bookings were down to 14 a year and Hammonds had withdrawn its support.

In May the Yorkshire Building Society Brass Band became European Brass Band Champions, and this week Shona White, who plays tenor horn for the band, won the BBC's Young Musician of the Year Competition (sponsored by Lloyds Bank). Paid engagements are up to 45 a year and only a booking abroad prevented the band acting as the warm-up for pop stars Bon Jovi this week.

Sponsoring the band costs the Yorkshire Building Society £70,000 a year but in terms of name exposure and good publicity it has proved an excellent investment. It also gives the Yorkshire an edge over its local arch rivals, the Bradford & Bingley which sponsors the Black Dyke Mills Band, runners up in the European final.

Brass bands, which played under the name of the company employing the musicians, must have been the first form of arts sponsorship. As collieries and mills closed so new backers stepped forward, often building societies. The Alliance & Leicester last year took over the Knebworth Brass Band and the Britannia Building Society backs the famous Fodens. Even small building societies, such as the Barnsley and the Vernon, have bands. But it is the Yorkshire which seems to have made the best investment.

★

A belated convert to the advantages of arts sponsorship is the Corporation of the City of London. Until recently there was a coterie of aldermen railing against the City's subsidy to its Barbican arts complex. Now all that has changed. The City has realised that if it wants to continue as *the* European centre of finance it must offer foreign companies a pleasant, and cultured, working environment. Hence its support for the City of London Festival, currently enlivening the Square Mile until July 14.

Last year the City agreed to give the festival £250,000 a year until 1997 if the organisers could find matching money. This was achieved last year, and has been exceeded in 1996, with sponsors putting up around £300,000 in cash and help in kind. It is almost certain that the City will renew its commitment in September 1997.

For most backers the attraction is obvious – the chance to entertain key clients to pleasant musical diversions in venues not always accessible to outsiders, like the Merchant Taylors Hall and the Skinners Hall.

But Stephen Barter of Richard Ellis, who chairs the festival, is ambitious, and wants it to be taken as seriously as the festivals at Edinburgh and Brighton. He has added an out-reach programme, and slotted in populist events. This has persuaded Marks & Spencer to put up £75,000 over three years to look after the educational projects, while 2,500 people were attracted to Paternoster Square last week for the literally explosive open air performances by Polish actors Teatre Biuro Podróży, sponsored by the John S. Cohen Foundation

The Midland Bank, HSBC, Warburg, Unilever have rallied round, plus less obvious companies, like first time sponsor Linklaters and Paines, the lawyers. The only threat to the festival is the very generosity of the "New City". The Corporation has promised £5m towards the Millennium exhibition at Greenwich and agreed to raise another £7m from City firms. Is there enough spare cash for all?

★

UNISON, the trade union, has become an important arts sponsor, committing £35,000 a year for three years to the National Youth Jazz Orchestra. The money is matched by the government funded pairing scheme.

Dance

Mozart maltreated

An insufferable evening. The omens were not good: the slam-of-the-cell-door announcement that running time was "two hours (no interval)"; a delay of 30 minutes while adjustments were made to the staging. I should have raced for the exit before the lights went down. Conscientious to the last, I stayed, and was rewarded with a foretaste of the torments of the damned.

The occasion was Wednesday night's single appearance at the Royal Festival Hall of Anne Teresa de Keersmaeker's dance troupe, *Rosas*. Keersmaeker replaced Mark Morris at Brussels' Monnaie opera house in 1992, in one of those pendulum swings of taste that are proof of the malignity of fate and the awfulness of European taste in post-modern dance.

Morris, most musically sensitive of free-style choreographers, was supplanted by a dance-maker who, as Wednesday night showed, can blithely maltreat great music with every kind of cheapjack posturing and modish fatuity. The evening was made more awful in that the performances of an assemblage of Mozart concert arias, movements from divertimenti, a sublime piano adagio, were so distinguished. Jos van Immerseel and his Anima Eterna ensemble, with the sopranos Ursula Hesse, Sandrine Piau, Isolde Siebert, gave beautifully judged accounts of this patchwork of arias and orchestral music.

I need hardly add that Keersmaeker's little gang were not above mewing and sobbing and grunting and playing for laughs so that Mozart might benefit from their attentions. To seek to describe the two hours of Keersmaeker's lumpen activity is to pay it an attention it does not merit.

The setting, by Herman Sorgeloos, was handsome: on to this circular arena pour seven men, seven women, armed with Keersmaeker's miserable repertory of tics, trudgings, infantile rompings, and that famous old Belgian trick of slamming oneself to the ground. They wear a variety of crude, off-baroque costumes and busy themselves round and under the music like an infestation of cockroaches.

The entire enterprise is insolent, both in its feeble means and in its crass manner. We are assured by journalistic puffery that Keersmaeker is seen in Europe as a significant creator. I have, across the years, found her work vapid, sadly limited in language, and naggingly vulgar. Nothing about this loathsome evening suggests I should change my mind.

Clement Crisp

Haunting bewilderment: a scene from Tim Supple's new production of 'The Comedy of Errors' Tristram Kenton

Theatre/Alastair Macaulay

Continuing fascination of twins

Twins: has any other subject yielded more fascinating results from recent research? Twins separated at birth and brought up in dissimilar circumstances have, decades later, been shown to demonstrate the same tastes in sexual matters, in clothes, in names, and, for that matter, have been found to be living in the same town. This research indicates the importance of genetics rather than environment on human development and it also casts a newly serious light upon all those giddy farces that, for over two millennia, have been written about what happens when one long-sundered twin turns up in the town inhabited by the other.

I do not know whether Tim Supple has been influenced by this research in his remarkably serious new production of Shakespeare's *Comedy of Errors* for the Royal Shakespeare Company, or whether he has proceeded from nothing but the text. Sometimes he starts to turn it into *The Tragedy of Errors*, sometimes it swims too soberly against the bubbly current of the words, and it has a few weak performances. But it is a perfect antithesis to the frothy account of the play that has become traditional. Supple's production has its elements of true comedy, and it reveals a finer strain of poetry in the play than I have ever heard. The sense of mystery and bewilderment that it creates are haunting. At the end of Supple's staging, the recognition scene brings several members of the cast to real tears.

"They say this town is full of cozenage" says Antipholus of Syracuse after his first confusing experience on arrival in Ephesus. (No sooner has his servant Dromio departed to deposit his money than the other Dromio appears, admitting no knowledge of the money.) In this production, the line sounds like a cousin of Caliban's "The isle is full of noises", and Ephesus starts to seem as disturbing and magical a place as Prospero's isle, a city in which people seem to deny one minute the experiences that they seem to have had a minute before, in which people are hailed by strangers as well-known acquaintances.

At many points throughout the play we hear music, music composed by Adrian Lee in the Ephesian style and played on instruments from the Near East with Sylvia Hallett singing before and after scenes in Asiatic vocal lines and half-inaudible but not always Asiatic words. Robert Innes Hopkins has designed an Ephesus where ancient and modern styles of architecture and dress overlap, where no surface is horizontal, and where the three planes on which the action takes place form a zigzag of steep slopes.

This is a true ensemble production. Certain performances are, however, outstanding. Simon Coates is so sincere and eloquent as Antipholus of Ephesus that I wish the part was twice as large and twice as complex, and Robert Bowman – despite his lightweight voice and occasionally blurred syllables – is a beautifully natural and touching Antipholus of Syracuse. Both Antipholi wear goatee beards and white suits, both Dromios wear shorts and shaven heads, and all the confusions make perfect stage sense. Dan Milne mingles farcical astonishment and serious amazement very well as the Syracusan Dromio (wittily startled by "the mountain of mad flesh that claims marriage of me"), and Eric Mallett is very good as his Ephesian counterpart.

Thusitha Jayasundera illumines the role of Luciana with unusual and tender gravity, and Sarah C. Cameron is handsome and vehement as Adriana. A pity that Cameron, like Leo Wringer as the Duke, has a slight lisp, and that they make heavy weather of their longer speeches. But Christopher Saul makes an unusually strong and moving impression in the difficult role of the Antipholi's father Aegeon.

This is a *Comedy of Errors* that is never simply *The Farce of Errors* and that, affectingly, is plainly the work of the man who wrote the cypress-shaded comedy of *Twelfth Night*.

In RSC repertory at The Other Place, Stratford-upon-Avon.

Munich Opera/David Murray

A modern pastiche

On Monday the Munich Opera Festival opened boldly with a new opera, commissioned from Hans-Jürgen von Bose: *Schlachthof 5*. The composer's own German libretto is drawn with faithful sympathy from Kurt Vonnegut's celebrated novel, *Slaughterhouse 5*, in which the crucial event is the wanton destruction of Dresden, Germany's "Florence on the Elbe", by Allied firebombs in February 1945.

I took my seat in the Nationaltheater with some trepidation. How would Müncheners react to an American novelist's treatment – partly comic, to boot – of that national catastrophe? In the event, there were only faint boos amid the applause at the end of the first part of *Schlachthof 5*, and perhaps merely because it had taken nearly as long as *Elektra* or *Das Rheingold*. Conversely, the enthusiastic reception at the close may have been relief at finding Part Two only one-third the length of Part One.

Bose's adaptation of the novel proved remarkably deft, especially in view of Vonnegut's perpetual time-hopping. All of the large cast were excellent, notably Uwe Schönbeck, exquisitely bemused and touching as Vonnegut's dim, passive American anti-hero in his later years, and Martin Ganter as his younger self in wartime, who finds himself a prisoner of war in a Dresden slaughterhouse shortly before the apocalyptic fire-storm.

Also the pair of "Evangelists", an ingenious Bose addition for explaining the story: Claes H. Ahnsjö always in the devout style of a Bach Passion narrator (complete with 18th-century continuo), Ronald Pries as more of a showbiz MC. Everyone else took turns in many roles: German and American soldiers, English officers, doctors and nurses, guests at Billy's daughter's wedding, a planeload of New York State optometrists – and some Tralfamadorians, whom Billy believes kidnapped him in their flying saucer in 1967.

The Tralfamadorians, who have access to a 4th dimension, were the only factor in Elke Gramss's stunning production (brilliant sets by Gottfried Pilz, wildly expensive) that worried me. The point of Tralfamadore is to let Billy view the past, present and future as equally real, with detached equanimity; here they kept scooting about in spaceships, as in sci-fi cartoons for children, and looked too much like comic relief.

It is hard to imagine *Schlachthof 5* much better done – nor, indeed, to be sure that it will ever be done again. For it is singularly short of actual *music*; what Bose has composed is an immensely long string of pastiches, from Bach and Mozart to Verdi, Stravinsky and period-pop – meant to be American, but always sounding German – laced with literal quotes (the start of the *Rosenkavalier* trio crops up twice).

Doubtless they all bear special significance for the composer, but he keeps his own hand pressed tight against his chest. Of non-parodistic music, we hear very little but scene-setting sounds and soft, sustained smears, with a page or two of melancholy string-utterances. Bose has declared, reasonably enough, that it would be "odious and almost blasphemous" to turn the catastrophe itself into music; a long orchestral howl is all that signifies it.

But the incessant pastiches go, I think, with Bose's personal slant on the story, which is that it somehow stands for the galloping Americanisation of the German "life-style" (nowhere, incidentally, so visible as in Munich). Here, Vonnegut's homely vignettes of small-town American ways acquire a new meaning. Come to think of it, the very fact that a German audience could take this opera in cheerful good part, without offence or outrage, probably shows how far the "Americanisation" has gone.

The next night I heard Gerd Albrecht conduct *The Bassarids*, Hans Werner Henze's 1966 opera to Auden & Kallman's text after *The Bacchae*, with the Munich Philharmonic and another strong cast. He used Henze's recent reduction of the work, which deletes the ill-advised "rococo" interlude, thereby shortening the opera to less than the length of Bose's first act.

This too is modern opera – but wholly European, and almost *too* full of music. Albrecht was as assured and scrupulous with it as Paul Daniels had been with *Schlachthof 5*; in fact I have not heard *The Bassarids* projected with such power, not even in the Salzburg premiere. Should the ENO ever revive its ill-fated production of the opera (its first and only run was hit by a series of chorus-strikes), it should think of buying Albrecht's services.

Alan Titus sang a potently troubled King Pentheus, the tragic hero; his mother Agave, who succumbs to the Bacchic cult and unknowingly murders him, was Renate Behle, tough and urgent, lacking only the deeper register to make her more affecting. There was a splendid Cadmus from Michael Burt, and no weak link anywhere else among the principals. The Philharmonic Choir distinguished itself. For a time, this opera was widely thought to be dead in the water: not so, not by a long way.

Last performance of *Schlachthof 5* at the Bayerische Staatsoper on July 8.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● 250ste Robeco Groep Zomerconcert: the 250th concert in the annual series of summer concerts in the Concertgebouw offers 12 hours of music by Quirine Viersen, the Combattimento Consort Amsterdam, the Nieuw Sinfonietta Amsterdam, Isabelle van Keulen, Ronald Brautigam, the Radio Kamerorkest, Ton Koopman and many others; 12noon; Jul 6

■ BARCELONA

EXHIBITION
Fundació Joan Miró
Tel: 34-3-3291908
● European Architecture 1984-1994: exhibition comprising the winning projects for the European Architecture Awards together with a selection of finalists. In addition, the exhibition includes a selection of candidates from the first four editions and, like the Award itself, has been designed to offer a representative sample of the best architecture produced in Europe during the last decade; to Sep 8

■ BONN

EXHIBITION
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-9171200
● Wisdom and Compassion. The Sacred Art of Tibet: this exhibition focuses on the traditional themes of the art of Tibetan Buddhism and presents the important stylistic developments from the ninth to the 19th century. On display are 190 objects of sacral art, mainly scroll-paintings (tangka) and ornate metal sculptures; to Aug 25

■ BRUSSELS

EXHIBITION
Palais des Beaux-Arts
Tel: 32-2-5078466
● Ilya Kabakov. *Sur le toit*: exhibition of Ilya Kabakov's installation "Sur le toit" (On the roof), created for the Palais des Beaux-Arts, in which the visitors walk on a foot bridge over the roofs of an imaginary city; to Sep 8

■ DUBLIN

CONCERT
National Concert Hall - Ceoláras Náisiúnta Tel: 353-1-6711888
● Noriko Ogawa: the pianist performs works by Mozart, Chopin and R. Schumann; 8pm; Jul 6

■ FRANKFURT

OPERA
Alte Oper Tel: 49-69-1340400
● Der Bettelstudent: by Millöcker. Conducted by Johannes Rieger and performed by the Ballet, Choir and Orchestra of the Ulmer Theatre; 8mp; Jul 6, 7 (3pm)

■ GRANADA

CONCERT
Palacio de Carlos V
Tel: 34-58-222111
● Orquesta Sinfónica de Madrid: with conductor Rafael Frühbeck de Burgos and mezzo-soprano Mabel Perelstein perform works by De Falla, Wagner and Stravinsky; 10.30pm; Jul 7

■ LONDON

CONCERT
Royal Festival Hall
Tel: 44-171-9604242
● Forest Philharmonic: with conductor Mark Shanahan and baritone Alan Opie, the Hertfordshire Chorus and the London Oriana Choir perform works by Elgar and Walton; 7.30pm; Jul 6
OPERA
Royal Opera House - Covent Garden Tel: 44-171-2129234
● Nabucco: by Verdi. Conducted by Mark Elder and performed by the Royal Opera. Soloists include Cynthia Makris, Elena Zaremba, Gregory Yurisich and Kurt Rydl. Part of the Verdi Festival '96; 7.30pm; Jul 6

■ LOS ANGELES

CONCERT
Hollywood Bowl
Tel: 1-213-850-2000
● Los Angeles Philharmonic: with conductor/pianist Lukas Foss, the Los Angeles Chamber Orchestra and the Los Angeles Master Chorale, sopranos Camellia Johnson and Elissa Johnston, mezzo-soprano Cynthia Munzer, tenor Howard Haskin, bass-baritone Jan Opalach and violinist Martin Chalifour perform works by J.S. Bach, Vivaldi, Stravinsky and Mozart; 6pm; Jul 6

■ MUNICH

EXHIBITION
Neue Pinakothek
Tel: 49-89-23805-195
● Willi Baumeister - Zeichnungen: retrospective exhibition of drawings by the German abstract artist Willi Baumeister (1889-1955); to Jul 7
OPERA
Nationaltheater
Tel: 49-89-21851920
● Tannhäuser: by Wagner. Conducted by Christian Thielemann and performed by the Bayerische Staatsoper. Soloists include Jan-Hendrik Rootering and René Kollo. Part of the Münchner Opern-Festspiele; 6pm; Jul 6

■ NEW YORK

FESTIVAL
Mostly Mozart Festival
Tel: 1-212-875-5030
● Mostly Mozart Festival: 30th anniversary season of this music festival held at the Avery Fisher Hall. The festival begins with the opening night pairing Itzhak Perlman and Pinchas Zukerman in Mozart's Sinfonia Concertante, a programme that will also be televised on "Live From Lincoln Center". Other highlights include appearances by the Tokyo String Quartet, James Galway, André Previn, Garrick Ohlsson, Gil Shaham, The Canadian Brass, and Alicia De Larrocha. Also, the festival welcomes back pianist Claude Frank, whose association with the festival dates back to its first season; from Jul 9 to Jul 20

■ OSTEND

EXHIBITION
Museum voor Moderne Kunst
Tel: 32-59-508118
● Pol Bury, retrospective 1939-1994: major retrospective exhibition of this many-sided artist. His work includes paintings, reliefs, wooden sculptures, metal sculptures, string sculptures, fountains and graphic art; from Jul 6 to Sep 8

■ PARIS

EXHIBITION
Musée du Louvre
Tel: 33-1 40 20 50 50
● Nouvelles acquisitions du Département des Sculptures (1992-1995): for the fourth time the Département des Sculptures is exhibiting an overview of its acquisitions of the past four years. On show are 37 works from different countries and using various materials. The exhibition includes works by Gilles Guérin and Canova; to Jul 8
● Pisanello (1395-1455). Le Peintre aux Sept Vertus: major retrospective exhibition devoted to the 15th-century Italian court painter and medallist Pisanello. The display features some 320 works by the artist, his contemporaries and his followers from the collection of the Musée du Louvre and other museums. Included are drawings, parchments, paintings, frescos and medallions; to Aug 5
POP-MUSIC
Palais Omnisports de Paris-Bercy
Tel: 33-1 44 68 44 68
● The Eagles: performance by the American band; 8pm; Jul 8

■ TEL AVIV

EXHIBITION
Tel Aviv Museum of Art
Tel: 972-3-6957361
● Fauvism "Wild Beasts": between 1904 and 1907 a group of artists including Matisse, Derain, De Vlaminck and Braque applied non-naturalistic and often disconcerting colours to otherwise conventional subjects. Most of the paintings in the show are landscapes - the Fauves' preferred theme - but still life paintings, portraits and nudes are presented as well; to Aug 31

■ TOKYO

CONCERT
Suntory Hall Tel: 81-3-35751001
● Tokyo Metropolitan Symphony: with conductor Cosei Komatsu and violinist Gil Shaham perform Sibelius' Symphony No.2 in D; 6pm; Jul 6
DANCE
Bunkamura Orchard Hall
Tel: 81-3-3499-1531
● Les Ballets Trookadero de Monte Carlo: perform the choreographies Giselle and Pas de Deux; 6pm; Jul 6

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FT Business Morning

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European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Philip Stephens

A shadow of itself

Labour's draft manifesto shows the party has learnt the hard way about public mistrust of its tax and spending plans

Governments distinguish themselves by how much, and how wisely, they spend. This is not a rule without exceptions. The standing of John Major's administration owes as much probably to sterling's ejection from the EU exchange rate mechanism as to its broken promises over tax. But, nine times out of 10, the voters' perceptions are shaped by the proximate balance between the share of their incomes taken by the state and the quality of the services they receive in return.

The Labour party has learned this lesson the hard way. Public mistrust of its spending and tax plans lost it the last three general elections. That realisation informs every page of Tony Blair's draft manifesto. It explains its strengths and its weaknesses. And it poses the central question which would face an incoming Labour government.

New Labour, new life for Britain is self-consciously not a document to fire the imagination. Mr Blair describes it as the case for change rather than a compendium of pledges. Most of those were stripped out before the final version went to the printers earlier this week. Grand thinkers, the Labour leader offered yesterday, might well lament an absence of big ideas. Voters, he expected, would welcome its realism.

Its specific pledges relate to the small change of government spending. They are dinghies rather than the flagships Mr Blair once promised. Smaller class sizes in primary schools would be paid for by scrapping the assisted places scheme which pays for poorer children to attend private schools, and shorter hospital waiting lists by reducing health service bureaucracy. The biggest scheme, to tackle youth unemployment, would be financed from a windfall tax on private utilities. More than that, the ambitions are broad brush. Thus by the end of its first term, a Labour government would hope to be spending more on education and less on welfare.

Radical and bold in his dealings with his own party, Mr Blair puts reassurance first when speaking to the voters. He seems most at ease telling us what he would not do. Those who read it say that his first draft of the latest document was littered with defensive negatives. Quite a few survived to the end.

Like most in the shadow cabinet, he is haunted by the costly, and in electoral terms entirely pointless, promises on child benefit and state pensions made in 1992. He tells critics who accuse him of being mesmerised by focus groups of floating voters to ask themselves how many people backed the Conservatives last time because they thought Labour too timid. The electorate is still worried that there is a hidden agenda. Others in his party chortled earlier this week when the Conservatives launched their advertising blitz under the slogan New Labour New Danger. Mr Blair, I suspect, is not quite so complacent.

You can see his point. After nearly two decades in opposition, the most important thing for Labour is to demonstrate it is fit to govern. Such a timespan leaves a huge gulf between the politics of persuasion in opposition and those of action in government. But to say that he can be both radical and reassuring is to beg the question mentioned earlier. Mr Blair presumes that a Labour government can make a serious difference by shifting priorities within the overall limits for public spending set by Kenneth Clarke, a Conservative chancellor. Perhaps he can. But he must explain.

> If Tony Blair wins the general election he will discover how much easier it is to speak the language of priorities than to deliver them

I am assuming here that, over the course of the economic cycle, Labour would not much increase the share of national income consumed by the state from its present level of a little over 40 per cent. For reasons which have been explained to me but I still cannot comprehend, the opposition will not offer this as a specific commitment. But, if Mr Blair is to be taken at face value, it is implicit in the pledge to stabilise government debt and in the aspiration to lower the tax burden on the average family.

What remain are a promise of different priorities and some clues in the draft manifesto as to the sort of switches we might expect from a Labour government. But the amounts involved are tiny, adding up to a fraction of the usual margins for error in the Treasury's forecasts for the public finances. They will be dwarfed by the changes that Mr Clarke will make in his November Budget. Much bolder measures would be needed if the voters were to see a real difference.

It is possible to change priorities. The Conservatives have done so since 1979. Take a few examples. Then, the government spent 2.6 per cent of national income on building new houses; now it allocates 0.6 per cent. The budget allocated to the Department of Trade and Industry has been almost halved from 2.4 per cent to 1.3 per cent. Spending on law and order has gone up from 1.5 per cent to 2.2 per cent of national income.

But, important though they are, such discretionary switches have been swamped by unplanned increases in welfare spending. The social security budget now takes 13 per cent of national income, up from 10 per cent. Politics rather than the Conservatives' natural warmth towards the NHS, has forced an increase in health spending from 4.6 per cent to 5.6 per cent.

The overall squeeze on spending during the past three years has further pre-empted rational choices. The social security budget is now under some sort of control. But, given its size, even relatively modest growth removes the scope for discretionary spending increases elsewhere. And that is to say nothing of the £2bn-plus which Mr Clarke must find to stamp out BSE in the nation's beef herds. To pay for tax cuts in the autumn, the cabinet will be forced to gut the budgets of a dozen departments. Some face cuts of up to 10 per cent. Only the NHS, schools and the police will escape.

If Mr Blair wins the election he too will discover how much easier it is to speak the language of priorities than to deliver them. The Treasury will tell him that all the easy decisions have been taken. To make a difference, he would have to make far harder choices in government than he has been prepared to contemplate in opposition.

If he is serious about welfare reform, the Labour leader should address the issue of state benefits for the middle classes as well as incentives for the unemployed. Students in higher education might be asked to contribute towards fees as well as maintenance. There is scope for a bigger peace dividend from the defence budget. For all his enthusiasm for a tough policy on crime, filling the prisons with petty criminals is the most expensive and the least effective way of reducing it.

Mr Blair will be forgiven for not producing quite such a list before the election. Manifestos never tell the whole truth. But there are more hard decisions to be made between now and polling day. Caution counts. So too does confidence.

LETTERS TO THE EDITOR

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UN chief's abilities

From Mr Alexander Borg Olivier.

Sir, Your editorial "US v Boutros" (July 4) suggests, erroneously, that the secretary-general of the United Nations lacks managerial skills and the political or rhetorical skills to convince the wider public that the UN is worth supporting.

With regard to managerial skills, Dr Boutros Ghali has gone farther than any other in bringing about reform and streamlining the organisation to make it more cohesive and effective, and this was acknowledged at the recent G7 summit in Lyons.

So far as public support is concerned, opinion polls undertaken in many member countries, including the US, show that the overwhelming majority of people *do* believe the UN is worth supporting.

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Legal route to state aid transparency

From Mr Christof R.A. Swaak.

Sir, In your editorial "Keeping State aids in check" (July 3), you underline the importance of the increasing readiness of companies to challenge controversial decisions on state aid of the European Commission in the European Court of Justice. This statement needs some "fine-tuning" as appeals against decisions under the EU rules on state aid are appealed to the European Court of Justice in the cases of EU member States and to the Court of First Instance in the case of individuals.

Furthermore, it should be noted that the Court of First Instance, in its case law (for example, Case T-95/94 Sytraval), has considerably enforced the legal position of third parties who file a complaint with the Commission against aid granted to a competitor. In doing so, the Court of First Instance recognised that it is very much more difficult for the complainants than it is for the Commission to gather the information and evidence needed in order to verify the validity of the complaint.

In certain circumstances, the Commission can even be held to have had an exchange of views and arguments with the complainant. As a result, by filing a complaint, companies can put pressure on the Commission, after which they may decide to have the Court of First Instance check the manner in which the Commission dealt with the complaint.

This kind of action will indeed stimulate greater transparency in the handling of state aid. It is up to aggrieved competitors to make use of these possibilities by "crying foul" and "kicking up a stink" if necessary.

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A better use for national stockpiles of gold

From Mr Walter Grey.

Sir, Though your plea for the International Monetary Fund's "outdated and under-utilised" gold reserve assets to be put to better use in the world's poorest nations' interest ("A debt stand-off", June 27) regrettably failed to gain unanimous support at the G7 summit, it nevertheless remains valid.

The same, of course, also goes for national stockpiles of the "barbarous relic". And what better use for the proceeds of gradually selling ("privatising") these than, say, long-term funding (not simple financing) of state benefits for the needy which otherwise could be unsustainable?

Once that principle was agreed, the only problem might be finding others to pick up those golden apples without taking too much of the shine off their price...

Walter Grey,
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Innovation, not just more R&D, must be Europe's aim

From Mr Christopher John Hull.

Sir, The Japanese are about to lift state funded research spending because "for all its excellence at applied technology, Japan is behind in innovations" ("Japan to throw money at research", July 3).

The use of the word "innovation" is unfortunate. Innovation *is* applied technology, in the sense of a new product, process or service successfully brought to market, and Japan, compared with Europe, has been very successful at it these past several decades. Japan's relative weakness, and Europe's strength, is in invention, not innovation.

This is not mere nit-picking. We have just gone through a policy debate in the European Union on "Innovation in Europe", based on the European Commission's green paper of the same title, and Brussels is now preparing new policy proposals. There are disconcerting signs, despite the green paper's insistence that R&D is only part of the innovation equation, that the Commission will propose more R&D spending as the principal remedy. Having read your article, they may well now argue for even more R&D spending, so as to keep up with the Japanese!

There is no simple correlation between R&D expenditure and innovation. So many policymakers still do not understand this – or their intelligence yields time and again to the arguments of the R&D lobbies. Scientific and engineering knowledge – that is technology – is only part of the equation; market knowledge, business organisation, entrepreneurial management, intellectual property protection, financial investment and other factors are at least as important. Governments need to spend more on promoting these and other mechanisms to encourage the use of technology: dissemination, diffusion, transfer, training...

Of course you need basic "R" to source innovation in the long run. In the short to medium term, though, you need even more, much more, market-driven "D", plus the other ingredients just referred to. The Japanese have understood this for a long time. The Asian tigers have caught on, too. Where will we in Europe be in 50 years' time if we don't start spending more on innovation and less on R&D?

A last point: if the Japanese do raise their R&D spending as planned, will they prove better than us at converting the resulting inventions into innovations? If so, we had better look out.

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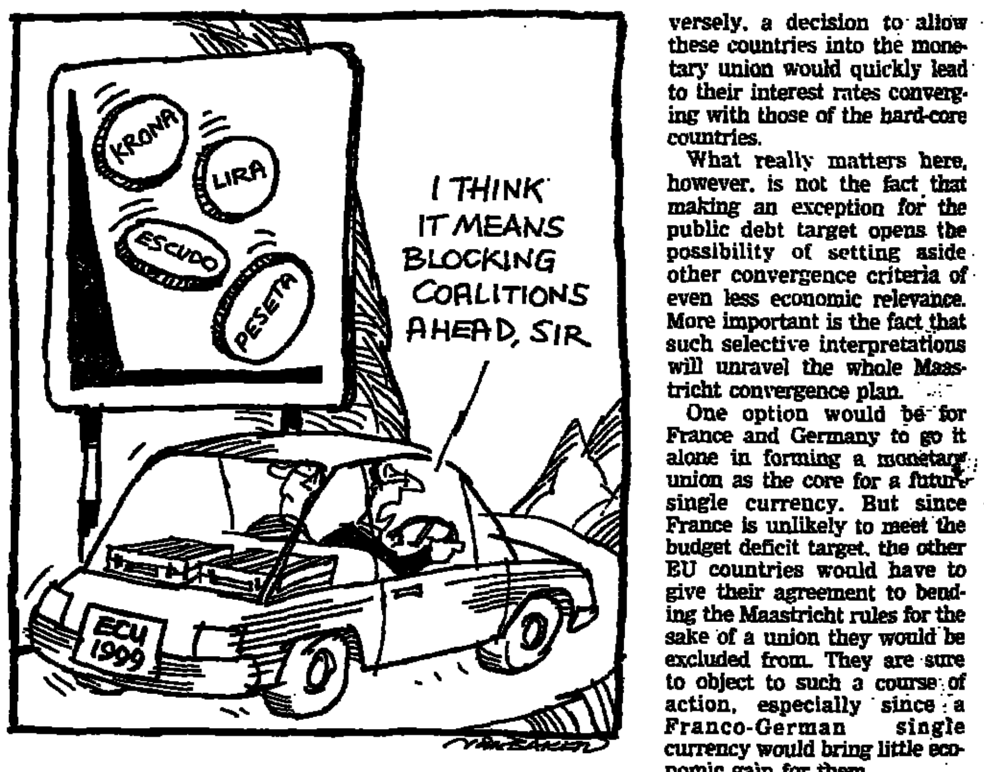
Europa • **Paul de Grauwe**

Failures of the euro exam

A minority of countries may block formation of a European currency union



The financial markets seem convinced that the European Union's economic and monetary union will start in 1999 with a core group of countries. This can be deduced from the spreads of the forward interest rates between the D-Mark, the French franc, the Dutch guilder, the Belgian franc and the Austrian schilling, which have all but disappeared.

The spreads remain substantial, however, between the D-Mark and the other EU currencies such as the peseta, lira, escudo, krona and pound. Thus the markets appear to believe that a "hard core" of mostly northern countries will start the monetary union in 1999, leaving behind the other mostly southern European and Scandinavian countries.

The financial markets have it wrong. The formation of a mini-currency union will almost certainly be blocked by the countries barred from entry – and they will have good legal and economic grounds to do so.

Article 109j of the Maastricht treaty stipulates that the decision about the membership of the single currency will be made by qualified majority. As a result, a small group of EU countries will have a blocking minority.

For example, the four southern European countries which the financial markets believe will not be accepted into the monetary union – Italy, Spain, Portugal, Greece – will have such a blocking minority. There are several other blocking coalitions possible of only three or four countries that are likely to be barred from entry, in spite of their intense desire to be part of the monetary union. Thus there is a wide scope for coalition-building by the losers in the Maastricht game to block the formation of the single currency in 1999 between Germany, France, the Benelux countries, Austria and Ireland.

There will be good reasons for the losers to exercise their blocking vote, since it looks increasingly probable that several hard-core countries will not satisfy all the economic convergence criteria for monetary union.

Some will have difficulty meeting the target of a budget deficit below 3 per cent of gross domestic product – France, for example. But there will be even greater problems in meeting the target for public debt which is set at 60 per cent of GDP. The Maastricht treaty says that if debt exceeds this figure, the level must be "diminishing sufficiently" and "approach the reference value at a satisfactory pace".

Three of the hard-core countries – Belgium, the Netherlands and Austria – will almost certainly fail this debt test. Even if their nominal GDP growth in 1996 is 5 per cent (which is higher than the projected growth rate for the year), their public debt will exceed 60 per cent of GDP in 1997: Belgium's will be 131 per cent, the Netherlands' will be 78 per cent and Austria's will be 66 per cent.

More important, the 1997 levels of debt will have fallen only 1 per cent to 2 per cent of GDP below 1996 levels in Belgium and the Netherlands. In Austria the debt-to-GDP ratio will not be decreasing at all.

If the debt-to-GDP ratios continue to decline at this rate, it will take 40 years for Belgium to reduce its public debt below 70 per cent of GDP – a possible yardstick for "approaching the reference value". The Netherlands has a more favourable starting position but it would still take 10 years for it to reach 70 per cent of GDP at the present rate of decline.

It will need a great deal of imagination to claim that the debt-to-GDP ratios of Belgium, the Netherlands and Austria have "diminished sufficiently" and "have approached the reference value at a satisfactory pace".

If these hard-core countries are to pass the Maastricht entrance exam, therefore, it will be necessary to declare that one of the convergence criteria can be set aside. This, however, will open the door to similar interpretations of other Maastricht criteria.

For example, those countries not in the hard core will be able to claim that the requirement that interest rates be no more than two percentage points above that of the three best performers is arbitrary because it is self-fulfilling. Where countries are believed not to be early members of the monetary union, their interest rates are high to reflect the exchange rate risk – and they cannot then qualify. Conversely, a decision to allow these countries into the monetary union would quickly lead to their interest rates converging with those of the hard-core countries.

What really matters here, however, is not the fact that making an exception for the public debt target opens the possibility of setting aside other convergence criteria of even less economic relevance. More important is the fact that such selective interpretations will unravel the whole Maastricht convergence plan.

One option would be for France and Germany to go it alone in forming a monetary union as the core for a future single currency. But since France is unlikely to meet the budget deficit target, the other EU countries would have to give their agreement to bending the Maastricht rules for the sake of a union they would be excluded from. They are sure to object to such a course of action, especially since a Franco-German single currency would bring little economic gain for them.

Another option would be to start a "maxi" currency union, that would allow the southern European and Scandinavian countries to join a single currency. This is likely to find support among those countries which would be prepared to waive the rules in return for their own entry into the monetary union.

But this option would be difficult for Germany to accept since it would mean a monetary union with countries which it believes are insufficiently committed to price stability. The pressure of German public opinion to postpone monetary union would be strong if it were to be on a maxi basis.

Financial markets would thus do well to reconsider their forecasts. The achievement of monetary union depends on reconciling the interests of those countries that will be in the single currency and those that will be out. On that basis, a mini-currency union looks unlikely to happen in 1999, while a maxi-union will happen only if German public opinion can be convinced that southern European countries are trustworthy partners.

The author is professor of economics at the University of Leuven and MP for the Liberal party in the Belgian parliament

FINANCIAL TIMES

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Friday July 5 1996

Boris Yeltsin's famous victory

No one should begrudge President Boris Yeltsin his remarkable election victory in Russia. Barely three months ago, his popularity was in the doldrums, and it looked as if he would be resoundingly defeated in the first round of the presidential poll. Instead, he has won a famous victory, with more than 53 per cent of the vote.

His achievement almost certainly means that the old-style Communists will never win back power in Russia at the polls. Their supporters are old and nostalgic. Their numbers will dwindle. Perhaps just as important, Mr Yeltsin ensured that the elections were held at all, and were overwhelmingly free and fair. Russia's democracy is still imperfect, but it is stronger than it was. The rest of the world can breathe a sigh of relief.

Yet the path ahead still looks daunting. Even if a clear majority of Russians rejected the Communists, they are divided about the sort of capitalism they want. Many voted for Boris Yeltsin without enthusiasm as the lesser of two evils. And a very large minority voted Communist, in protest at what they perceive as the deterioration in their lives.

The first threat to stability and growth is the frail health of Mr Yeltsin himself. He has suffered two heart attacks in the past 12 months, and his current illness, which has kept him in virtual seclusion for eight days, certainly appears to be more serious than his aides would have the world believe. There must be a danger that he will be unable to provide the leadership Russia needs, and might even be incapacitated within months, requiring another destabilising round of elections.

Highly unpredictable

The second worry is how he and his team, headed by the prime minister Victor Chernomyrdin, will deal with the emergence of Russian nationalism in general and their new-found ally General Alexander Lebed in particular. By co-opting the former hero of Afghanistan as head of the national security council, Mr Yeltsin virtually ensured his own election. But ever since, Mr Lebed has shown himself a highly unpredictable operator, veering from populist nationalism to economic liberalism. His reputation as an anti-corruption campaigner is positive, but his willingness to endorse intolerant attitudes is a real concern.

If Mr Lebed can be kept firmly focused on fighting crime and corruption, and on the equally important question of military reform, that would be a bonus for the government. Mr Chernomyrdin has made it clear that he intends to keep him in his place as a politically-unskilled soldier. On present evidence, that would be a relief.

Economic reform

It is up to the prime minister himself to take urgent charge on the economic front. The immediate challenge is to bring order back to the government's finances, which have been thrown into disarray by blatant use of the exchequer to win votes. The collapse of tax collection has been a hidden way of subsidising former state enterprises, to help them pay wages and keep prices artificially low. Raising revenues is essential if the government is to control its deficit, as the IMF requires, and stop borrowing money in the markets at ruinous rates of interest.

At the same time, the new government must draw up a clear strategy of economic reform. That should include tax reform, and legislation to ensure far greater transparency in the affairs of Russia's new corporations. It is also urgent to reform social spending, better focusing the state's scarce resources on those most in need. The choices that follow from that may be politically unpopular, but they are inescapable.

The IMF can afford to be tough in imposing its conditions on the new government because the threat to political stability is now much less. And Russia would benefit from observing those conditions. If Mr Yeltsin can bring order to his country's economy, and provide a firm legal framework for its nascent capitalism, he will be an easy partner for the outside world to live with. The alternative is for corrupt wealth to co-exist with poverty: that would be a recipe for the rise of Russian nationalism.

The burial of socialism

Despite the cheery optimism of its prose, the UK Labour party's draft manifesto, published yesterday, is as much a funeral oration as a plan for the future. In its 40 colourful pages, Mr Tony Blair, new Labour's new leader, hammers a stake into the heart of his party's socialist past.

Some in the City suspect that old Labour may rise again. A poll of people in the financial services sector earlier this summer showed that a large majority believed that after a Labour election victory, the ghosts of imprudent policies would return to inflict higher inflation, higher interest rates and profligate government finances.

This is, however, the opposite of what Mr Blair and his colleagues are promising in a document which brings together an impressive number of policy papers prepared during the last two years. In relation to the history and predilections of his party, Mr Blair has done an impressive job. In the first place, this version of the manifesto is commendably brief: it resists the temptation to hand out titbits from the pork barrel indiscriminately.

It also makes a worthy attempt at fiscal coherence. New Labour has frequently proclaimed in recent months that none of the party's senior spokesmen would be allowed to make promises until all financial imprudence had been winnowed out by Mr Gordon Brown, the shadow chancellor.

Lower interest rates

The document begins with Labour's pledge to restrict government spending and borrowing. This, together with the promise to control inflation and lower interest rates, will leave the party with little scope to enact popular measures, as Mr Blair well knows. Consequently the specific pledges tend to be trivial, such as the idea of diverting cash from health service bureaucracy into patient care. Big plans, such as renationalising the railways, are hedged with big provisos. Many other proposals, such as those for improving training, are developments of existing schemes.

So for many voters, particularly businessmen, the manifesto is more important for what it rules out: strongly redistributive taxes, a desire to own companies or direct their strategies, a big extension of state controls, increased subsidies for the poor or a wish to run down the UK's armed forces. No doubt, a Labour government would incline more in these directions than the Tories, but as dogma, they have been buried.

As Mr Blair says in his introduction: "The Labour party has changed. Now we are seeking the trust of the people..." Yet despite the careful positioning of new Labour somewhere between Germany's SPD and the left wing of the Tory party, some doubts must remain. The most important is whether Mr Brown and Mr Blair really have eradicated the party's suspicion of capitalism.

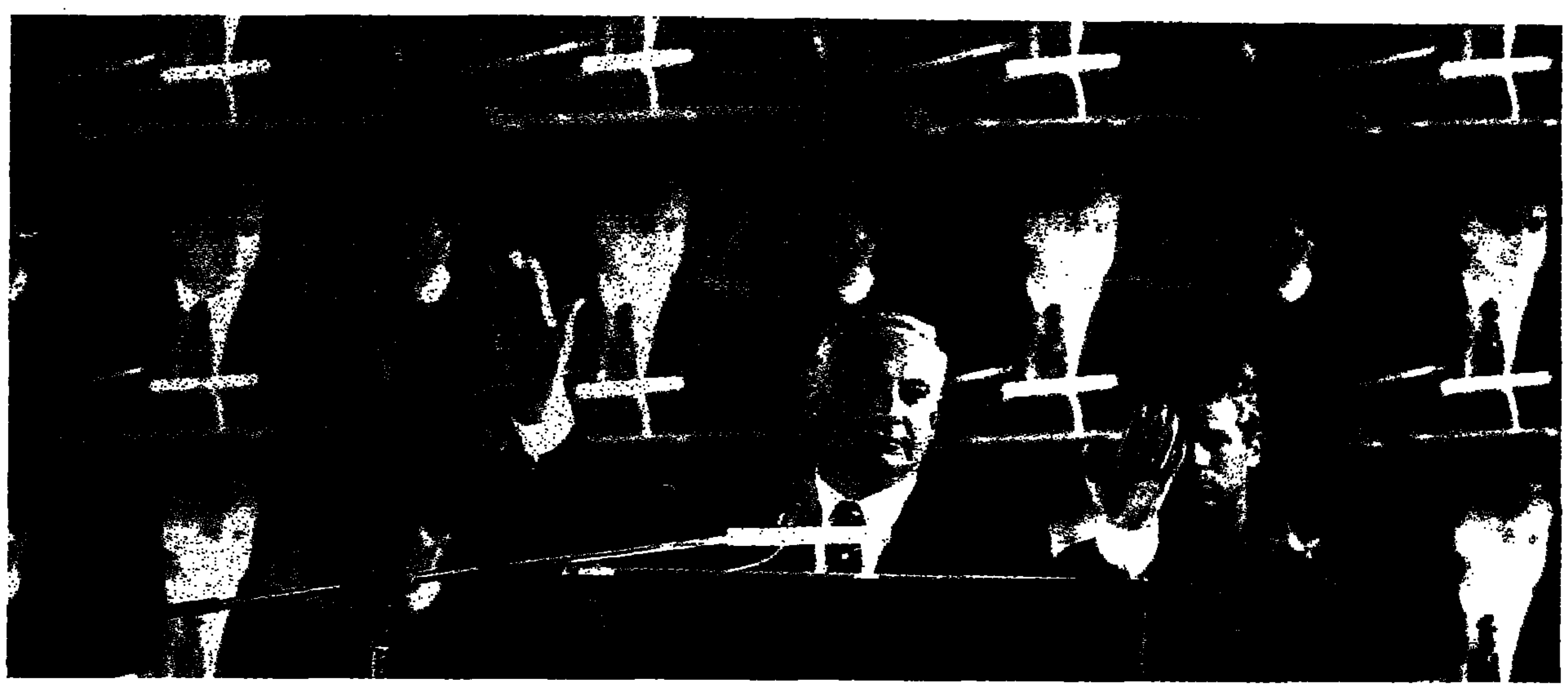
Competition policy

Much hangs on this. For example, the proposals to reform UK competition policy and the regulation of utilities may prove sensible: there are good arguments for change. But Labour's intentions are disturbingly vague. It might make reform of the Office of Fair Trading an excuse to interfere unnecessarily in a take-over market it does not like much; and tighter utility regulation might turn out to be a crude effort to screw taxes out of a sector which some of the party still believes should be in the public sector.

Indeed, the plan for a windfall tax on utilities is an ominous sign. It would be unfair on the companies, gives perverse incentives and is a thoroughly bad way of finding money to reduce long-term unemployment. Moreover, the plans for a minimum wage will offset the little good this money might do.

Yet despite such doubts, and a worrying authoritarian streak in their approach to social policy, there is still time to give Labour's leaders the benefit of the doubt. They may espouse market economics and tough sentencing for criminals, but they are not Tories: distinct in their openness to Europe, proposals for devolution and cautious reform of the House of Lords. Moreover, they show a degree of vigour and confidence which plainly alarms the government; and if some of the old socialists are still trying to pull in a different direction, Mr Blair has them on a lead.

The FT Interview • Benjamin Netanyahu



A desire to be different

The Israeli prime minister tells **Julian Ozanne** that he wants to shift the emphasis from security and foreign affairs to the economy

Mr Benjamin Netanyahu, Israel's prime minister, has already begun to establish his administration as one founded on domestic and economic reform rather than Middle East peace-making. Since moving into office just over two weeks ago, he has pushed ahead with far-reaching economic reforms and a shake-up of the domestic decision-making process at the heart of government.

While the peace process seems dangerously stalled since his electoral victory in May, he has held a string of cabinet meetings devoted solely to the economy, persuaded his government to approve a large package of expenditure cuts and taken new powers into his hands over policymaking. Yesterday he was up until dawn haggling over the future of Mr Ariel Sharon, the hawkish former general who is seeking to strengthen his cabinet role in charge of infrastructure.

But in an interview yesterday in his Jerusalem office he appeared remarkably calm and relaxed. Ahead of his visit to the US next week, he was eager to articulate his glowing vision of Israel's economic future and the radical transformation he wants to bring about in a country still dominated by big government and bureaucracy.

"This is the first time in the history of Israel there is a coherent economic leadership at the head of the country, where the prime minister, finance minister and governor of the central bank all share a common vision to liberalise the Israeli economy and move forward into the next century as one of the great technological and entrepreneurial successes in the world."

According to Mr Netanyahu, Israel had never had a leader who dealt first and foremost with economic policy, as in other western nations. Traditionally the agenda had been dominated by security and foreign affairs. This resulted in a "vacuum, in which the decisions on the economy and social policy were either relegated elsewhere or simply neglected by default".

But Israel, with a per capita income of $16,000 a year, is now a different country and Mr Netanyahu, at 46 Israel's youngest and most inexperienced premier, is determined to be a different prime minister or, "chief executive" as he prefers to describe his job.

"Israel is going to be a different country. It is going to be run differently and it is going to be different in terms of the expansion of market opportunities and services and the general level of Israeli life.

"I would like to see Israel moving very rapidly from its position as a dependent nation to economic independence and to become a significant economic power in the world by its own right and not only in per capita terms.

"I think that is perfectly possible. We are probably the only advanced economy in the world that can move into the post-industrial information age without having really gone through the phase of being an industrial power. And that paradoxically is not a disadvantage. It's a huge advantage because we do not carry the baggage of obsolescent industries.

"The curse of not having capitalism turns out to be a blessing in this case because the transition is much quicker and less painful. We have a highly technological and educated population that, with the right structural reforms in the economy, could move very quickly and seize the economic opportunities as no other society can."

Mr Netanyahu is determined to be seen by future generations as the prime minister who finally swept away regulation, control and state ownership. During his first 16 days as prime minister, he has been obsessed with bringing Israel into a new millennium as an economic power to be reckoned with.

He has held round after round of meetings on the economy and persuaded a reluctant cabinet to approve a budget deficit reduction programme for the future, including an expenditure cut of Shk4.9bn (£1bn) from the 1997 budget. He delayed next week's trip to the US, due last month, to complete the economic package and line up a series of meetings on Wall Street.

'Israel is going to be a different country. It is going to be run differently and it is going to be different in terms of the expansion of market opportunities and services and the general level of Israeli life'

Benjamin Netanyahu

His attempt to put Mr Jacob Frenkel, central bank governor, into the Treasury failed in the face of political opposition from members of Mr Netanyahu's Likud party who wanted to see one of their number in the post. But he has reappointed the tough inflation-fighter and former Chicago university economics professor as central bank governor with an enhanced role as head of an advisory committee on economic policy.

Furthermore, he says the new system for directly electing the prime minister, which brought him to power in the May elections, will play a vital role in further liberalising the economy. "I didn't advance this idea... in order to have a strong and centralised chief executive office. I believe that we need an added political power in order to distribute economic assets from the government to the marketplace. It is impossible to do it otherwise.

"When I moved the privatisation authority to the prime minister's office, it was not to pack my so-called cronies in jobs as directors of government companies. It is precisely the opposite, to rid the government of these companies and sell them to the public."

Many Israeli political commentators believe Mr Netanyahu hopes to secure a second term after elections in 2000 by focusing on the economy at the expense of the peace process. They say radical economic and social reforms combined with low inflation will produce such a powerful feelgood factor that the peace process would become marginal to the election outcome. In this analysis Mr Netanyahu will continue to bang the drum of security while sticking to campaign policies which would stall the peace process.

It is a suggestion that Mr Netanyahu rejects. "I wasn't elected to achieve a stalemate. I was elected to achieve peace in a way the majority of the Israeli public understands – a genuine peace. I do not intend to freeze or stop negotiations but on the contrary pursue them on broad fronts perhaps in some new areas... But when it comes to the question that determines the survival and future of the state of Israel I will negotiate prudently and responsibly."

At the moment this seems to mean saying or doing little. While he has held repeated meetings on the economy in the past 16 days, the new prime minister has not yet devoted a meeting to the peace process. He maintains the right of Jewish settlers to develop their communities on occupied Arab land.

He refuses to change his pre-electoral position that he will meet Mr Yassir Arafat, president of the Palestinian Authority and Israel's most important peace partner, only if the security of the state of Israel demands it. He stands firmly against the establishment of a Palestinian state, the right of return of refugees and concessions on Israeli sovereignty over Jerusalem.

Nor has he made any real effort to calm the fears of Israel's increasingly alarmed Arab neighbours by spelling out any concrete steps or new ideas to save the fragile process from stagnation or collapse. His only really new initiative seems to be to insist that progress in the peace negotiations, both with Palestinians and with Syria, depends on the cessation of Islamist guerrilla attacks – by the Palestinian Hamas group and the pro-Iranian Hizbollah in southern Lebanon.

He tantalisingly holds out the prospect of big "surprises" and "breakthroughs" in future peace negotiations. However, he does not offer any indication of how they might come about with the Arab world gearing up for four years of hostility and possible conflict.

What is clear is that for now he is concentrating on making his mark, quickly and decisively, on domestic policy. He is also still relishing, with the arrogance for which he is notorious, an electoral victory which upset Israel's conventional political wisdom.

"I don't remember a single government that has acted so decisively, so clearly. Obviously there have been snags, and the press seizes on snags. But I find myself in a peculiar situation throughout my career, that people do not see the big moves I make until I make them.

"I've had the great fortune of being the recipient of the greatest favour a politician can have, and that is systematic underestimation by one's opponents. Some of it lingers on and it doesn't bother me that it should linger on further as long as we get things done."

• OBSERVER •

Kick this deal around

■ Adidas, the German-based sportswear company, and Olympique Marseille (O-M), the French football club, yesterday pulled off a deal.

Wry smiles all round as this is something that, ironically, they never managed to do in the early 1990s when the now disgraced French politician Bernard Tapie controlled them both.

Quite what the deal is, is another matter. Adidas and the city of Marseilles – which has controlled O-M since it went bankrupt last year – were able to agree on two things. O-M players will be wearing Adidas gear and, in return, the company will make "a major financial commitment" to the club, along with other, unspecified, partners.

Adidas said it was also committed to finding a buyer for O-M. It thinks this should be fairly easy because the company was debt-free and has bounced back to the first division from the second division, to which it was consigned by the French soccer authorities after a Tapie-era bribery scandal.

"We are in the business of selling shoes, not owning clubs," said Adidas. But Marseilles city insisted Adidas and its "partners" had agreed to buy the municipality's two-thirds stake in the club.

The deal in fact is so confusing that some local wits are suggesting that Tapie managed to take time off from his many court appearances to arrange it.

Worthless prize

■ What do you give to someone who has everything? Why, something with no cash value at all.

Presumably that's what prompted the 60 of Italy's great and good who sit on The Leonardo Committee to award its 1996 top prize to one of Italy's most powerful businessmen, Gianni Agnelli, 75.

Yesterday afternoon the honorary chairman of Fiat received the entirely symbolic Premio Leonardo – named after the Renaissance artist and inventor – for having best represented the country's image internationally.

Agnelli might just have had an inkling of being this year's lucky fellow. For along with the likes of Olivetti chairman Carlo De Benedetti, former prime minister Silvio Berlusconi, novelist Umberto Eco, and opera star Luciano Pavarotti, another of the committee's members is none other than... Gianni Agnelli.

Here we go again

■ Lovers of political feuds should head to Moscow soon to watch the inevitable fall-out among Russia's devastated communists. Even before the final votes were in on Wednesday night, the bickering had started.

Vladimir Semyago, a true Bollinger Bolshevik who owns a string of casinos, could be heard complaining in the corridors of the central electoral commission about how the extremist leftists had lost the election for the moderate communists. But Victor Anpilov, the radical firebrand of distinctly neo-Stalinist tinge, clearly does not agree, blaming the defeat on the dastardly revisionists.

It's all worryingly reminiscent of the vicious factional in-fighting that raged in the Russian communist party in the 1890s. Watch out in the year 2017...

Grecian earns

■ Notwithstanding his leftwing heritage, Costas Simitis, the Socialist prime minister, turns out to be a moderately large property owner. In his yearly declaration of assets (which all MPs and their wives must make) Simitis admits to owning 40 acres of farmland in western Greece – about five times the size of the average Greek farmer's holding.

His opposite number Miltiades Evert, who heads the conservative New Democracy, is much worse off. He declares he only owns two cars and a motor-scooter.

Mind you, his American wife Liza is doing okay. She reports owning several apartments in Athens, as well as keeping tens of millions of drachmas in her savings account at the Athens branch of American Express.

Next year's declarations may be rather different: the Speaker of Parliament's office is threatening to appoint a team of auditors to check their accuracy.

Keelhaul Kennedy

■ In Ireland, former US President John F. Kennedy may still be held in high regard but there were few kind words yesterday for the aircraft carrier named in his honour, currently moored off Dublin bay.

Ireland's national lottery had raffled 10,000 tickets to visit the vessel, after hundreds of thousands of requests were received by the US embassy. Some enthusiasts had paid as much as I£200 for a ticket. But many of the winners have been disappointed; public visits to the ship have been cancelled due to bad weather. For a ship that slugged it out in the Gulf war, the gentle squall seemed a fairly feeble pretext. Just to rub sea salt in the wounds, the ship's captain yesterday said that despite the weather, a Fourth of July party jointly hosted for the US ambassador and her guests would go ahead. The ambassador is of course none other than Jean Kennedy Smith, JFK's little sister.

It's all right for some.

The Financial Times

100 years ago

African Gold Concessions
(One of five letters)
Sir, – I desire to add my protest to those already published in your paper against a further call by the African Gold Concessions and Development Company, Limited, of 2s per share. It is a scandalous thing that shareholders should be bound either to meet this call and place further money at the disposal of men in whom they have no confidence or at great inconvenience to offer a united resistance to such call and demand the resignation of the latter, and if thought desirable let the company go into liquidation, but such is our alternative and I will join the fighters. I am, &c.,

REVENGE

50 years ago

Blue Circle Cement Expansion
A comprehensive scheme of new works and extensions of existing works has been planned by the Blue Circle Group. The chairman, Mr. George Earles, said the programme was expected to involve an expenditure of over £7,000,000 although it would be delayed owing to the shortage of staff and men. In view of the cessation of hostilities, it was mutually agreed that the Cement Makers' Federation Pooling Scheme Agreement be terminated.

FINANCIAL TIMES
Friday July 5 1996

Rightwing leaders force Israeli PM's hand

Netanyahu creates post for Sharon to avoid crisis

By Julian Ozanne in Jerusalem

Mr Benjamin Netanyahu, Israel's prime minister, yesterday tried to avert the first crisis of his new government by creating a new ministry to accommodate Mr Ariel Sharon, the former general and champion of Jewish settlement in the Israeli-occupied West Bank.

In an interview in Jerusalem, Mr Netanyahu said he had carved out a new "super-ministry" of infrastructure for Mr Sharon, the popular rightwing leader, after all-night negotiations with other coalition partners. However, he said Mr Sharon had not yet indicated whether he would accept the job.

Mr Netanyahu said the offer satisfied Mr David Levy, the foreign minister, who made the issue public by threatening to leave the government unless Mr Sharon was brought into the cabinet before the prime minister's departure to Washington for an official visit on Monday.

However, the move is bound further to anger Israel's Arab neighbours and worry western governments, which view Mr Sharon as an ultra-nationalist opponent of peace. As defence minister, Mr Sharon was largely responsible for Israel's 1982 invasion of Lebanon in a bid to crush guerrillas who launched attacks across the border.

Mr Netanyahu's forced compromise is another sign of the ability of rightwing leaders to dictate the shape of the government and curb the prime minister's bid to

A desire to be different ......Page 19

win presidential powers. Mr Netanyahu, who has called Mr Sharon "a permanent subversive", had tried to make him accept a minor cabinet job or stay out of a what he called a "government of excellence" led by professional experts.

But the affair has demonstrated his limited room to manoeuvre in the face of action by senior members of his rightwing Likud party.

Mr Netanyahu yesterday brushed off fears that Mr Sharon would be able to pull the government further to the right.

"I am confident that when the government decides on its policies, they will be implemented by all the ministers," he said. "Of course we have a variety of people ... they have different perspectives, some of them are hardliners and some are softliners. I think we have a productive synthesis but policies will be set and they will be implemented by everyone."

The prime minister's office said the new ministry had been created by stripping functions away from other ministries, particularly housing and construction and transport. It will include the roadbuilding authority, the railway authority, the lands administration, part of the water commission, the national sewage authority and responsibility for roads bypassing Palestinian areas in the West Bank.

The new ministry will be presented to today's cabinet meeting for approval, after which Mr Sharon is expected to accept the job.

Japanese rocket group close to first satellite contract

By William Dawkins in Tokyo

A consortium of leading Japanese industrial and electronics companies is poised to win Japan's first contract in the fiercely competitive commercial satellite launch business.

Mr Hiroshi Imamura, vice president of Rocket Systems Corporation, was optimistic yesterday that it would be awarded the contract, said by industry officials to be for 10 launches, worth at least Y85bn ($770m), by Hughes Space and Communications International, the world's largest maker of satellites.

RSC made a sales presentation to the US company in April. Negotiations began in June and are due to finish early next month. They would "turn out happily", said Mr Imamura, who declined to give details.

The deal would be a lift to Japan's long-frustrated ambition to create a world-class aerospace industry, one of the few targets its industrial policy planners have so far failed to hit. It would come just over a month after the explosion on its maiden launch of Ariane 5, the new rocket designed by Arianespace, the European space consortium.

It was only in 1994, two years behind schedule, that RSC launched the H-2, the first Japanese rocket capable of carrying a two-tonne satellite, the industry standard. It was the first of three successful launches but although technically dependable, the H-2 failed to attract foreign customers because it cost up to Y19bn per launch, more than twice as much as charged by Arianespace and General Dynamics, the US aerospace group.

What appears to have attracted Hughes is RSC's pledge that launch costs will be halved by a redesigned rocket, the H-2A, able to lift up to four tonnes and due to make its first trial in early 2000. The yen's decline since the H-2 took to space had also helped, said officials. The size of the RSC contract has yet to be confirmed, but industry officials expect it to include 10 launches of two-tonne satellites, to take place from 2000 to 2004, at around Y8.5bn per satellite.

That would give Japan a significant share of the world market, currently for 30 launches per year, dominated by the US, Europe, Russia and China. Launches would take place at an RSC base at Tanega-shima, a southwestern island.

One drawback is that launches may take place for only 90 days a year, at the insistence of local fishermen. The government's Science and Technology Agency hopes to negotiate an extension.

Japan is a late entrant to the commercial satellite market. RSC, formed only five years ago, is led by Mitsubishi Heavy Industries and embraces 73 companies including NEC, Toshiba, Nissan, Hitachi, Fujitsu and Ishikawajima Heavy Industries.

Chernomyrdin

Continued from Page 1

presidential elections and who appeared to be jockeying for a place in the government.

Mr Yeltsin was warmly congratulated on his victory by western governments, especially Germany and the US.

Markets rose on the news, but were constrained by worries about Mr Yeltsin's health.

Sumitomo approved deals

Continued from Page 1

he said. "We have been prepared to take substantial risks."

Winchester had lost a "substantial amount of money" by misreading the copper market in October and November last year, Mr Levett said.

He gave a strong hint that volatile prices in the weeks since Mr Hamanaka's forced departure had posed a similar test for the company's trading skills. Winchester, moreover, had lost business and clients.

Earlier this year, the Securities and Futures Authority said it was no longer investigating Winchester in connection with six trades in January 1994, as a result of which Codelco, the Chilean copper producer, said it had sustained losses.

US law on investment in Cuba forces ING out of sugar

By Gordon Cramb in Amsterdam and Pascal Fletcher in Havana

The Dutch banking and insurance group ING said yesterday it had pulled out of financing the Cuban sugar industry in response to controversial US legislation aimed at discouraging foreign investment in Cuba.

It is the second high-profile withdrawal from Cuba in the face of the Helms-Burton legislation. The Mexican company Cemex last month withdrew from a contract to manage cement production.

ING said it would not renew $30m in loans to Cubazucar, the state-owned trading arm for sugar, the mainstay of the Cuban economy. "We had to decide to stop it," it said.

Helms-Burton provides for US nationals to sue foreign companies and others trading in assets confiscated in Cuba. This could have left ING, whose subsidiaries have substantial US assets, open to legal claims.

"We have to operate within the legal framework however much we disapprove of it," the bank said. ING had reviewed its other activities, mainly trade finance, conducted through its Havana representative office and found no other clients at risk from Helms-Burton's provisions. "We will maintain our presence and we are fully committed to growing our business there," it added.

ING had led the way for a string of banks and trading houses to put up funds of at least $130m to pay for imports to boost the sugar harvest. The financing of inputs such as fertilisers, herbicides and spare parts helped Cuba to increase the 1995-96 sugar crop from the previous year's 50-year low of 3.3m tonnes to about 4.5m tonnes.

In all, nine of Cuba's 13 sugar-growing provinces were covered by foreign financing.

ING's financing was originally planned for five years, but the bank was able to exercise an annual opt-out clause in its contract.

Its withdrawal will be a psychological blow to other foreign groups involved in sugar financing in Cuba, which this year will include at least one Spanish bank, Banco Bilbao Vizcaya. "Everyone is moving to protect themselves," one sugar industry official said.

A senior Cuban sugar trade official, Mr Alberto Betancourt, said in early June that Cuba had secured financing for its 1996-97 harvest for all sugar-growing provinces, but ING's announcement raises some questions about this. Cuba is certainly counting on continuing injections of foreign capital to lift the coming harvest to a possible target of 5.3m tonnes.

Cuba seeks EU deal, Page 4
Commodities, Page 28

THE LEX COLUMN

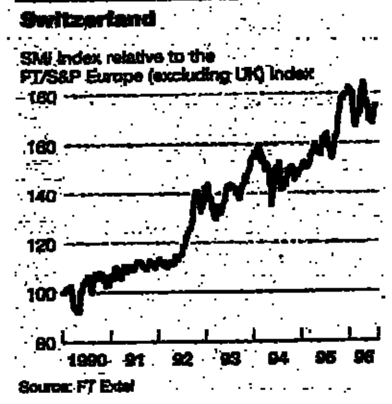
Swiss shake-up

The leap in CS Holding's share price since it announced its long-overdue corporate restructuring has sparked an enthusiastic hunt for other Swiss patients ready for corporate surgery. But investors should not get carried away by the surge of activity in a corporate scene famed for its lack of drama. Certainly, the speculation that drove up Nestlé's share price yesterday looks far-fetched. Having been an investor in L'Oréal for over 20 years and with a declared intention of consolidating control in the French cosmetic group, it would be extraordinary for Nestlé to sell out, as rumoured. Nestlé has low gearing, so it would not know what to do with the cash, since buy-backs and special dividends are tax inefficient. And with the coffee bean price tumbling, earnings are back on a growth track, presenting little pressure for change.

However, the Ciba and Sandoz merger and rejig at Credit Suisse were primarily defensive moves to reduce costs, and there is scope for more of the same. Switzerland remains significantly over-banked, and with Credit Suisse hacking back its local branch network following its abortive merger proposals with UBS, UBS must now be under pressure to follow suit. There is growing pressure for consolidation in the engineering sector, and Switzerland's insurance sector also looks ripe for change, given that domestic insurance margins are shrinking. Managements that fail to attack costs vigorously may come under pressure from those that do.

FT-SE Eurotrack 200: 1743.5(+9.5)

Switzerland



Source: FT Extel

Russia

Who cares about President Boris Yeltsin's health? The rewards for investors who gambled on his election victory have still been dramatic. In the last three months, the Moscow Times index has jumped 145 per cent. Should investors take these fat profits now, or hang in for the long haul?

The case for staying on is simple: Russian stocks still look cheap. Take Lukoil, Russia's largest oil company and a stock Western investors can easily get their hands on. Its reserves are so huge – bigger than Exxon's – that comparison with international oil stocks makes sense. Yet its current enterprise value, per barrel of production, is only a third of the figure for western integrated oil companies.

Such an extravagant discount is tempting. But it has to be seen in perspective. Lukoil is not a western oil company: its accounts are deeply opaque, the tax and legal framework is worryingly fluid, and Russian oil prices are stuck well below world levels. Consider that it could take a decade for Lukoil's valuation to reach Western standards, and the discount looks much less conspicuous.

No doubt Mr Yeltsin's victory will tempt fresh investors. Whatever happens to him, the scale of Mr Yeltsin's victory over the Communists is good news: Russia voted decisively against turning back the clock. But as some investors pile in, just as many are likely to drop out: now that the arguments on fundamentals are less clear-cut, profit-taking is a real risk. For all except the most long-term investors, the case for crystallising their own gains now is compelling.

Eurotherm

The sudden departure of Mr Claes Hultman as chief executive of Eurotherm looks like a case of corporate governance gone sour. Mr Hultman has apparently resigned because the board refused to promote him to executive chairman. Mr Hultman is not the sort of manager to lose lightly. Over the past five years, he has turned the industrial controls maker around, doing wonders for its profits and share price – the 12 per cent drop in the shares yesterday is testament to the faith placed in him by the City. While critics label him as merely a turnaround specialist, Eurotherm has shown accelerating internal growth over the past two years.

Ironically, Eurotherm has an executive chairman at the moment in Mr Jack Leonard, who has been at the company since it was founded in 1965 and is now 64. That rather weakens the argument put forward by the directors that they wanted a non-executive chairman and felt Mr Hultman was too strong a character to fit the bill. With the company running smoothly, Mr Hultman was in any case spending more time elsewhere and recently took on the chairmanship at Wembley.

The fact that all this has happened without consulting advisers or shareholders – provoking the resignation of joint broker SBC Warburg – suggests an internal power struggle. Mr Leonard and his non-executives appear to be treating Eurotherm more like a private fiefdom than a public company.

UK politics

There is little to get voters' pulses racing in the Labour Party's latest manifesto; Mr Tony Blair's determination to avoid hostages to fortune has created an extremely bland document. But, from the perspective of investors, that is not necessarily a bad thing. The main reason so few goodies are on offer is that Labour is promising reasonably tight fiscal and monetary policies, backed up by curbs on public borrowing and an inflation target administered by the Bank of England.

The big question, of course, is whether Labour will deliver on these promises if it wins the next election. Won't backbenchers clamour for a return to its old tax and spend ways? Maybe. But investors can take some comfort from the thought that, if Labour is not seeking to bribe the electorate when it needs votes, it will have less incentive to do so when it does not need them. Moreover, with Mr Blair tightening his grip on the party organisation, the odds on his being able to control recalcitrant backbenchers look increasingly good.

UK electricity

Since consumers stand to benefit from introducing competition in Britain's domestic electricity market, the regulator is right to press the industry to get on with it. But he needs to do more than whinge. The problem is that preparing for domestic competition is a massive job, and those doing the work – the regional electricity companies – have everything to gain from dragging their feet. Maybe, as some in the industry say, more active leadership from the regulator would help. But this will not alter the fact that the industry's commercial interest lies in delaying competition, not accelerating it. To change this, the regulator would have to be bold and threaten to penalise the companies for delay at the next regulatory review. Otherwise, however much he huffs and puffs, delay looks inevitable.

Lex comment on Costain, Page 25

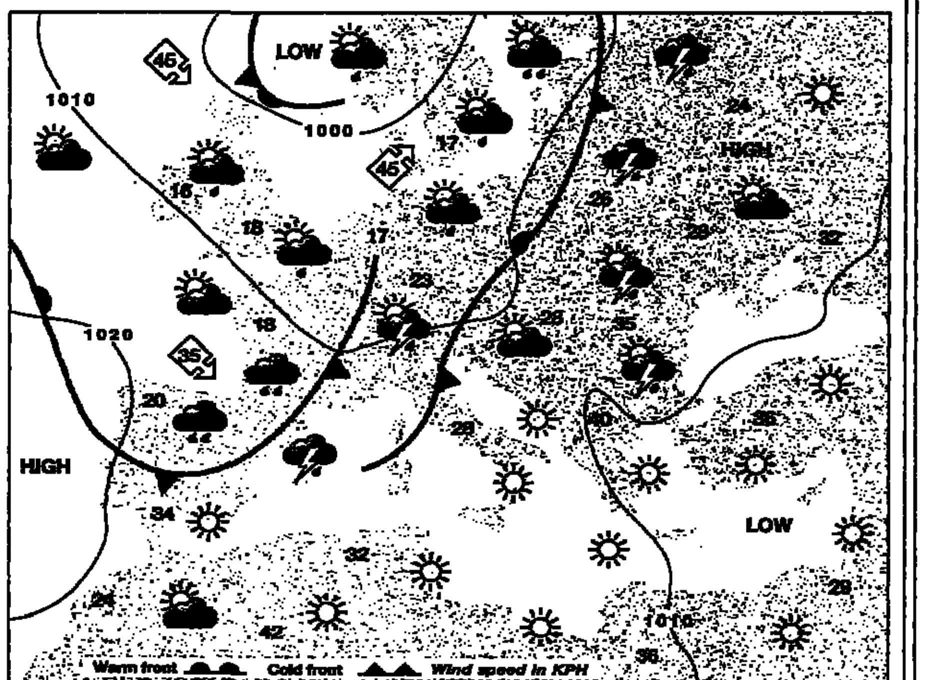
FT WEATHER GUIDE

Europe today

Sunny spells will prevail over most of the British Isles, but cloud will increase during the day. England, Ireland and Wales will have showers in the afternoon. Germany, Scandinavia, northern Spain and France will have showers. Western parts of the Alps will have heavy rain. Temperatures will reach 18C in France and 16C in Scandinavia. Southern Spain, Portugal, Italy, Greece, Turkey and the north-African coast will have plenty of sunshine. There will be occasional thunder showers in Switzerland, Bulgaria and Romania.

Five-day forecast

It will continue cloudy with outbreaks of rain for much of the British Isles and southern Scandinavia, the Benelux and Germany. Heavy showers are likely in eastern Europe on Saturday as a frontal zone moves through. Thunderstorms are expected in southern France and the Alps on Sunday and Monday. Southern parts of Europe will remain dry and sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	45
Accra	cloudy	28
Algiers	fair	32
Amsterdam	shower	17
Athens	sun	34
Atlanta	fair	32
B. Aires	cloudy	14
B.ham	cloudy	17
Bangkok	shower	35
Barcelona	fair	26
Beijing	sun	32
Belfast	shower	16
Belgrade	fair	30
Berlin	shower	23
Bermuda	fair	31
Bogota	shower	17
Bombay	shower	31
Brussels	rain	17
Budapest	fair	28
C.hagen	cloudy	17
Cairo	sun	35
Cape Town	shower	13
Caracas	fair	31
Cardiff	shower	16
Casablanca	fair	24
Chicago	sun	31
Cologne	rain	19
Dakar	fair	29
Dallas	fair	31
Delhi	fair	37
Dubai	sun	43
Dublin	shower	18
Dubrovnik	fair	27
Edinburgh	cloudy	17
Faro	sun	28
Frankfurt	thund	25
Geneva	rain	22
Gibraltar	sun	30
Glasgow	shower	16
Hamburg	shower	20
Helsinki	shower	17
Hong Kong	fair	32
Honolulu	fair	31
Istanbul	sun	31
Jakarta	fair	31
Jersey	cloudy	18
Karachi	fair	35
Kuwait	sun	48
L. Angeles	sun	32
Las Palmas	shower	27
Lima	fair	18
Lisbon	fair	23
London	shower	19
Luxbourg	rain	18
Lyon	thund	23
Madeira	fair	24
Madrid	sun	30
Majorca	sun	30
Malta	sun	30
Manchester	cloudy	15
Manila	shower	34
Melbourne	rain	13
Mexico City	shower	17
Miami	fair	33
Milan	thund	28
Montreal	rain	21
Moscow	fair	32
Munich	thund	25
Nairobi	cloudy	25
Naples	sun	29
Nassau	shower	33
New York	fair	29
Nice	sun	29
Nicosia	sun	33
Oslo	rain	13
Paris	shower	16
Perth	rain	19
Prague	thund	25
Rangoon	rain	32
Reykjavik	sun	14
Rio	fair	25
Rome	sun	26
S. Frsco	sun	25
Seoul	fair	29
Singapore	cloudy	31
Stockholm	fair	20
Strasbourg	thund	28
Sydney	fair	19
Tangier	sun	27
Tel Aviv	sun	29
Tokyo	sun	29
Toronto	shower	23
Vancouver	sun	22
Venice	fair	29
Vienna	fair	28
Warsaw	shower	27
Washington	sun	29
Wellington	rain	8
Winnipeg	fair	29
Zurich	rain	22